

ANNUAL REPORT
2006 | 2007

Innovation, Trade and Rural Development

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PAPER

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INNOVATION, TRADE AND RURAL DEVELOPMENT
2006-07 ANNUAL REPORT

MINISTER'S MESSAGE

As the Minister responsible for the Department of Innovation, Trade and Rural Development (INTRD), I am pleased to submit the Annual Performance Report for the fiscal year 2006–07. This report is submitted in accordance with the Department's obligation as a Category One entity under the Transparency and Accountability Act. It was prepared under my direction and, as Minister, I am accountable for the results reported herein.

As required, this performance report demonstrates with indicators and measurable results, how my Department performed during the fiscal year in addressing the priority issues identified in our strategic plan. These priority issues include innovation, ocean technology, export development and small business growth.

This report also outlines departmental activities in support of five of the Provincial Government's broad strategic directions. These include regional diversification and industry growth; innovation enhancement; small and medium-sized enterprise business supports; business promotion, trade and investment development; and business, industry and economic intelligence.

Over the past year, staff have worked diligently to assist individual clients, businesses and community economic development groups, through the development and implementation of funding programs and the provision of expert knowledge, market intelligence and counseling. I would like to thank all staff for their dedication as we continue the work of improving the economy in Newfoundland and Labrador.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read 'T. Taylor', is positioned to the right of the word 'Sincerely,'.

Hon. TREVOR TAYLOR
MHA, The Straits and White Bay North



THE DEPARTMENT AT A GLANCE

VISION

The vision of the Department of Innovation, Trade and Rural Development (INTRD) is “a diversified, competitive economy with productive and prosperous people in all regions of the province”.

MISSION

By 2011, the Department will “have stimulated economic and business development to foster regional and provincial prosperity.”

Guided by the principle of prosperity for people in all parts of the province through the creation of wealth, with a policy commitment to innovation at the business and sectoral level, INTRD will achieve its mission by focusing on key factors for sustained economic growth. These factors include business operations within a competitive environment, enhanced productivity and stronger communities and regions. With regional advancement as a priority for all regions of the province, INTRD continued to focus its resources on opportunities identified in the Comprehensive Regional Diversification Strategy (CRDS).

LINES OF BUSINESS

The Department operates five lines of business in support of regional development and economic diversification. These are delivered through 23 offices in five regions throughout the province. In addition, through the Canada–Newfoundland and Labrador Business Service Centre, which the Department co-manages with the Atlantic Canada Opportunities Agency (ACOA), INTRD offers additional business information and resources.

OUR LINES OF BUSINESS ARE:

- Small and Medium-sized Enterprise (SME) Development
- Industrial Diversification
- Innovation
- Investment
- Economic Intelligence

INTRD delivers a wide range of regional, sectoral and cross-sectoral services and programs organized under these five lines of business. They are supported by staff in the areas of corporate policy, communications and information management. In addition, INTRD is responsible for coordinating the Strategic Partnership Initiative, the Ireland Business Partnerships and cross-departmental and federal–provincial economic issues and initiatives.

LINES OF BUSINESS

SMALL AND MEDIUM-SIZED ENTERPRISE (SME) DEVELOPMENT

Encompassing the business development, enterprise promotion, export development and trade functions of the Department, SME development involves the provision of funding and business support services, such as counseling and export development services, to eligible small and medium-sized enterprises operating in the province. Client firms must be resident, or plan to be resident in the province to qualify.

INDUSTRIAL DIVERSIFICATION

The Department supports new and emerging industries and value-added initiatives in established industries that show significant growth potential in the province as a whole or in one or more of its regions. This encompasses the regional economic development, strategic industries and technology sector development functions of the Department. Supports include policy development, strategic planning, capacity building, counseling, negotiation, brokering, facilitating business networks and financial assistance.

INNOVATION

The Department fosters the development of an innovative culture throughout the province and provides support to industry, labour, academic and other research and development institutions and businesses involved in innovative projects. Emphasis is placed on increasing public and private investment in research and development infrastructure, enhancing commercialization activity and supporting the growth of industry clusters.

LINES OF BUSINESS

INVESTMENT

The Department works with the Department of Business to ensure the successful attraction of direct investment to the province. Staff members partner with officials from the Department of Business to provide support services to firms interested in locating and investing in the province.

ECONOMIC INTELLIGENCE

The Department provides timely business, economic and market intelligence and competitiveness indicators at the regional, provincial, national and global levels for use by government, business, labour and other stakeholders. This service is delivered in partnership with the Economic Analysis Division of the Department of Finance and the Newfoundland and Labrador Statistics Agency.

ORGANIZATION AND STAFFING

The four branches of the Department are:

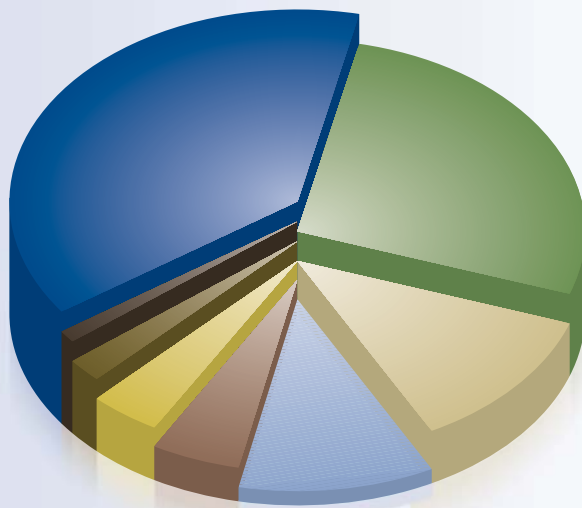
- Trade and Investment
- Regional Development
- Strategic Industries and Business Development
- Innovation, Research and Advanced Technologies

The Department is decentralized with 180 employees operating from offices distributed throughout the province including five regional headquarters, 17 local area offices, corporate headquarters in St. John's and a second corporate office responsible for portfolio management and administration in Marystown. The Department also provides staff resources to the Canada–Newfoundland and Labrador Business Service Centre (For a map of regions and office locations see Appendix C).

Just under 90 per cent of staff work in programs and service delivery divisions; 39 per cent in the regional development branch and 37 per cent in the two industry development branches. Executive and corporate support staff make up just over 10 per cent of the total staff complement.

The gender of INTRD staff is almost equally distributed with 91 males and 89 females. Among managers and executives, 34 per cent are female and 66 per cent are male. However, for managers under 50 years of age, the ratio is 52 per cent female to 48 per cent male. The average age of Department staff is 45 years, compared with an average of 43 years for the Provincial Government overall.

INTRD Staff Distribution



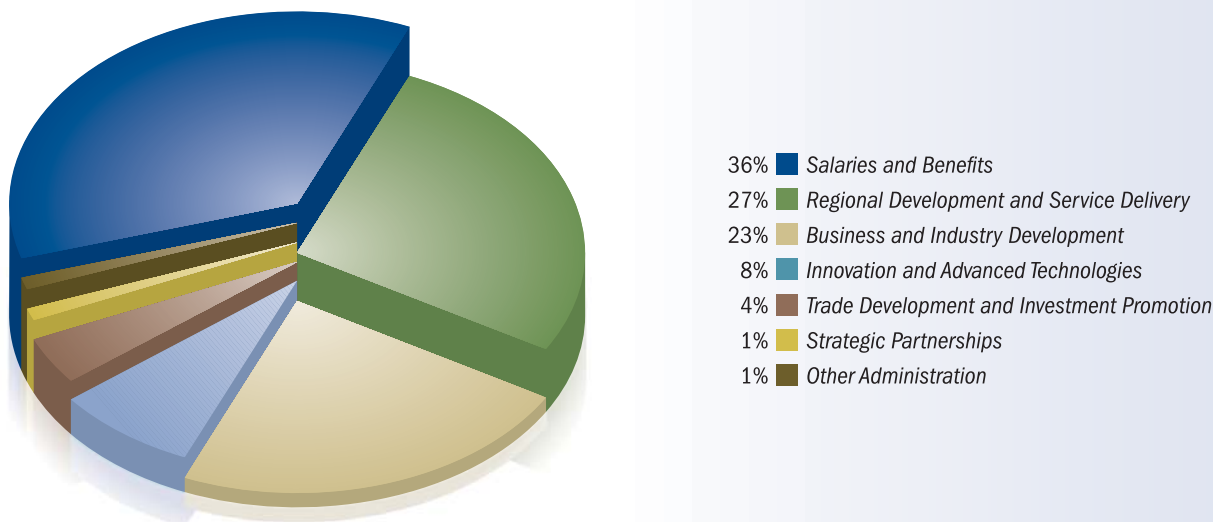
39%	■	Regional Development Branch
26%	■	Strategic Industries and Business Development Branch
12%	■	Trade and Investment Branch
11%	■	Innovation, Research and Advanced Technologies Branch
5%	■	Executive
4%	■	Policy and Planning
2%	■	Corporate Communications
1%	■	Strategic Partnership Secretariat/Ireland Business Partnerships Secretariat

BUDGET

In fiscal year 2006–07, the Department's total expenditures were approximately \$25.8 million. Allowing for approximately \$127,000 in revenues from miscellaneous sources, the Department's net expenditures were approximately \$25.67 million (for an in-depth look at the Department's financial performance, see Appendix A).

Approximately 36 per cent of the Department's budget is allocated to staff salaries. The remainder is mainly split between four program areas, as indicated in the chart below.

INTRD Budget Allocations



The Department's investment portfolio, as reported by the Business Investment Corporation, received repayments of \$2,766,782 in 2006–07, slightly ahead of the forecasted repayments of \$2,230,000.

CORPORATIONS AND BOARDS

Four crown corporations and two advisory boards reported to the Minister in 2006–07: Newfoundland Hardwoods Limited; Newfoundland Ocean Enterprises Limited/Marystown Shipyard Limited (NOEL/MSL); Newfoundland and Labrador Immigrant Investor Fund Limited (NLIIFL); Business Investment Corporation (BIC); the Economic Diversification and Growth Enterprises (EDGE) Advisory Board; and the Ireland Business Partnerships (IBP) Advisory Board.

The activities of NLIIFL and BIC are not included in this report since these entities publish separate annual performance reports. The activities of the EDGE Advisory Board, IBP Advisory Board, Newfoundland Hardwoods Limited and NOEL/MSL are found in Appendix B.

PROFILE

Newfound Genomics Inc.

"When the Genes Fit"

When the St. John's Board of Trade announced its Business Achievement Award winners in 2006, Newfound Genomics Inc. was an obvious choice. The company had added yet another important diagnostic test to its scientific accomplishments. Established in 2000, Newfound Genomics is a key player in the province's biotechnology industry. Newfound Genomics specializes in gene research and development through target validation studies, novel gene discoveries and genotyping. From their laboratories in St. John's, this biotechnology company explores the genetic basis of complex diseases. Their capabilities extend beyond human genetics to animal, plant and fish research.

TAKING ACTION ON PRIORITY ISSUES

In 2006, INTRD released a two-year strategic plan. It describes the goals and objectives of four strategic priority issues: innovation, ocean technology, export development and small business growth. In accordance with the Transparency and Accountability Act, the following section of this performance report provides measures for the Department's activities in the 2006-07 fiscal year in support of the goals and objectives as set out in the strategic plan. This section also includes the 2007-08 objectives and indicators.

INNOVATION

The commercial value of innovative goods, processes and services is a driving force in the economy of Newfoundland and Labrador, creating employment and attracting new dollars. In its *Blueprint for Prosperity*, the Provincial Government set out a strategy to support innovation as a fundamental base for a stronger, more diversified provincial economy.

This innovation strategy aims to increase the province's capacity for innovation as a key to successful competition in the global marketplace. Through an aggressive and comprehensive approach to fostering a culture of innovation, the province can increase its productivity, enhance its global competitiveness and encourage entrepreneurs and investors to look beyond traditional borders.

GOAL:

By 2008, the Department of Innovation, Trade and Rural Development has acted on all priorities of the provincial innovation strategy.

2006-07 Objective	By 2007, strategy recommendations related to innovation enhancement and commercialization have been implemented.
Measure	Innovation enhancement and commercialization recommendations have been implemented.
Indicator	Provincial and leveraged investments to innovative firms to commercialize new products, services and processes.
Activity	Launched the Commercialization Program in August 2006. By March 31, 2007, INTRD had approvals totaling \$2.3 million used to leverage an additional \$4.1 million from other sources.
Indicator	Provincial and leveraged investments in innovation enhancement.
Activity	Launched the Innovation Enhancement Program in August 2006. By March 31, 2007, INTRD had approvals totaling \$0.54 million and leveraged \$2.8 million from other sources.

DISCUSSION:

\$5.0 million was approved for implementation in 2006–07. To facilitate uptake and knowledge of the new Innovation Enhancement and Commercialization programs, staff met with business, community and regional development groups. Reports indicate interest was significant.

2007–08 Objective	By 2008, strategy recommendations related to innovative clusters, partnership development and innovative culture have been implemented.
Measure	Action is initiated on all cluster development, partnership development and innovative culture recommendations.
Indicator 1	Implementation funding is approved for the 2007–2008 fiscal year.
Indicator 2	Provincial and leveraged dollars invested in innovation activities.
Indicator 3	Continued support for existing clusters and facilitation of new cluster development opportunities in the province.
Indicator 4	Celebration of innovators through the establishment of the innovation awards and a scholarship fund.
Indicator 5	Collaboration with other provincial departments, the federal government and industry to invest in opportunities that help build innovative capacity for the province.

OCEAN TECHNOLOGY

Local firms and research centres related to the oceans and ocean science are recognized internationally for their practical abilities in ocean technology. That gives this province an opportunity for economic growth in this rapidly expanding international sector.

Given Newfoundland and Labrador’s world-class infrastructure and proven technology development capabilities, the Department began to prepare a comprehensive revision to the province’s ocean technology sector strategy in 2006–07. When complete, this new strategy will reinforce the province’s reputation as a national and international leader in ocean technology and enhance industry strengths in the development of competitive niche products, services and expertise.

GOAL:

By 2008, the Department of Innovation, Trade and Rural Development has assisted the ocean technology sector to expand.

2006-07 Objective	By 2007, the Ocean Technology Sector Strategy is updated, approved by government and implementation is initiated.
Measure	A revised Ocean Technology Sector Strategy is approved and implemented.
Indicator	The strategy has been released.
Activity	The indicator was partially met. The Department completed a draft strategy for review by stakeholders. Completion of that review and preparations for the Strategy's public release will now occur in 2007-08
Indicator	Activities are coordinated with the federal government and industry partners.
Activity	Involved key partners in the strategy development process and established protocol for continued involvement during implementation.
Indicator	Branding of the province's ocean technology sector has been initiated.
Activity	Through the Bridges Program, helped fund the development of an integrated ocean technology website – an initiative by the City of St. John's and OceansAdvance – as well as a short promotional video on the ocean technology cluster. In co-operation with NRC-IRAP, helped OceansAdvance create and publish (print and electronic) a concept map that graphically demonstrates private and public ocean technology capabilities.
Indicator	International market opportunities are identified and pursued.
Activity	Pursued opportunities for local ocean technology firms and organizations in the New England region and hosted an Irish delegation, in conjunction with Ireland Business Partnerships, to discuss joint opportunities in seabed mapping, ocean management and ocean observation. Worked with the local ocean observation partnership group to formulate ocean observation projects.
Indicator	Actions to strengthen domestic markets are initiated.
Activity	Given the changing funding regime among federal funding agencies, the Department worked with the ocean technology sector to promote greater industry involvement. During the strategy development process, the Department researched opportunities for the Government to become an adapter and user of locally-produced ocean technology.

DISCUSSION:

The Department continued to support the Bridges Program which, since 2003, has invested in alliance and marketing initiatives in ocean technology. INTRD led trade missions to key markets including the Oceans 2006 Conference and trade show in Boston. The Department engaged the services of a U.S.-based specialist in ocean technology to conduct matchmaking and business development between local and U.S.-based companies and organizations. Also, key industry participants from New England were invited to tour the local cluster and made presentations on ocean observing and technology commercialization.

Having identified ocean management and related opportunities world-wide, INTRD pursued these new markets as the strategy was being finalized. In March of 2007, a Memorandum of Understanding was signed between the Provincial Government and the Government of Ireland on ocean technology related to ocean observing systems. Also noteworthy were the joint projects and activities, initiated with the Department's support, by the Marine Institute with the University of Rhode Island. A Memorandum of Understanding was signed between the Provincial Government and academic, industry, and government partners in Rhode Island in January 2006.

2007-08 Objective	By 2008, the Department of Innovation, Trade and Rural Development has assisted the sector to reduce existing commercialization gaps.
Measure	Ocean Technology sector firms take advantage of funding and other supports for commercialization activities.
Indicator 1	Provincial and leveraged funding, and assistance, provided to Ocean Technology sector firms, associations and activities (in total and targeted at reducing commercialization gaps).
Indicator 2	Activities undertaken to identify and address commercialization gaps.

PROFILE
**Canadian Centre for
Marine Communications**

*“Red Sky at Night,
Sailor’s Delight”*

Traditionally, fishers in Newfoundland and Labrador rely on the horizon, seabirds and the waves to predict weather. These days, at least in Placentia Bay on the south coast of the province, they simply visit www.smartbay.ca. By clicking on any of the sensor locations indicated on the digital map, they retrieve data in real time to learn wind speed and direction, wave height and currents. SmartBay is an initiative of the Canadian Centre for Marine Communications (CCMC), an ocean technology research and development organization in St. John’s. Bill Carter is a program director with CCMC and project manager responsible for SmartBay, “What we are trying to do is to present better information so people who use the bay can make better decisions,” he says of the two-year pilot project for which they received funding and assistance from the provincial and federal governments.

PROFILE

North Atlantic Refining Limited

“Exporter of the Year”

At the 22nd Newfoundland and Labrador Export Awards luncheon March 9, 2007 in St. John’s, North Atlantic Refining Limited was recognized as the 2007 Exporter of the Year for Newfoundland and Labrador. With exports topping \$2.0 billion each year, the company’s 700 employees make and market some of the cleanest fuels on the world market. Named one of the Top 100 companies to work for in Canada, North Atlantic Refining has invested \$600 million in the safety and integrity of its refinery at Come-by-Chance. They contribute more than \$140 million to the provincial economy, including \$60 million in wages and \$40 million in local procurement and annually donate \$250,000 to local charities.

EXPORT DEVELOPMENT

In 2006, Newfoundland and Labrador exported \$5.3 billion in goods and services to international markets. The ratio of inter-provincial exports of goods and services to international exports was one dollar in domestic trade for every one dollar and thirty-nine cents in international trade. This activity makes this sector a key element of the province’s economy and a strategic issue for INTRD.

The world-wide market for renewable and nonrenewable resources and for the products and services of the province’s knowledge-based industries offers great potential for export growth. Existing provincial export development programs are valuable but must continue to evolve to better support exporters as they strive to access emerging market opportunities.

GOAL:

By 2008, the Department of Innovation, Trade and Rural Development will be recognized as a leader in the provision of export development services in the province.

2006–07 Objective	By 2007, the Department of Innovation, Trade and Rural Development will have designed an updated export development approach.
Measure	Updated export development approach is designed.
Indicator	Geographic target markets are reviewed and new markets identified.
Activity	Reviewed all existing markets, identified additional international and domestic targets and introduced a plan to research and identify at least one new export market per year for three years beginning in 2007–08.
Indicator	Current departmental programs and activities are aligned to promote enhanced export development.
Activity	A review of departmental programs and activities determined that, while some service gaps exist, current programs are sufficiently flexible to adapt to the new export development approach. In 2007–08, INTRD will pilot a new client-based initiative to address the additional service needs.
Indicator	Internal resources are allocated to implement strategy.
Activity	Requested additional \$0.5 million in the 2007–08 budget process to resource the Department’s enhanced export development. The budget and staff for Trade and Investment Programs have been re-allocated to reflect priority activities: market access; market research/intelligence; export readiness; export promotion; and strategic export partnerships.
Indicator	New export development services are identified to fill gaps.
Activity	The Department is undertaking research and piloting targeted initiatives with clients to address service needs. The Pre-Shipment Financing Program is a partnership between INTRD’s Business Investment Corporation and Export Development Canada to help new/expanding small businesses with export contracts. Through the program these exporters can access loans of up to \$250,000 to complete contracts for the supply of goods or services outside Canada. The program targets strategic growth sectors, such as manufacturing, information technology, secondary processing, aquaculture, bio-technology, marine services, knowledge-based industries and agrifoods.

DISCUSSION:

The new export model was drafted and senior executive commenced a review. An important component of the new model is targeted approaches rather than generic programs. This shift is based on successful client-centred service models including export readiness. At the end of the fiscal year, the Department began re-alignment of staff assignments to match the model's priorities.

Existing export markets have been re-categorized into two tiers. Tier one markets offer long-term, strategic and multi-faceted opportunities and include New England, Ireland and Iceland. Tier two markets offer broad export opportunities in one or more sectors and include Greenland, those U.S. states outside New England and the U.K.

2007-08 Objective	By 2008, the Department of Innovation, Trade and Rural Development will have implemented its new export development approach, including a targeted trade initiative with Ireland.
Measure	INTRD's new export development approach is implemented.
Indicator 1	Internal resources are allocated to implement export strategy.
Indicator 2	New export development services are targeted at filling gaps.
Indicator 3	The Department is active in its geographic target markets (trade initiatives with firms, missions and selected shows).
Indicator 4	Ireland trade initiative is launched.

SMALL BUSINESS GROWTH

Ninety-eight per cent of Newfoundland and Labrador's companies have less than 100 employees. But these small and medium-sized enterprises (SMEs) employ approximately 40 per cent of the province's total workforce. That makes this segment of the economy a key element of the province's development and a strategic issue for the Department.

INTRD proactively assists SMEs to overcome barriers to growth and build sectoral networks. The intent is to expand the Department's Supplier Development Program into national and international opportunities.

GOAL:

By 2008, the Department of Innovation, Trade and Rural Development will have assisted Newfoundland and Labrador firms and ventures to access growth opportunities within the province and abroad.

PROFILE

Western Metal Working Network

"Forging Ahead"

Metal fabricators on the west coast of Newfoundland have taken an innovative approach to growing their industry. With input from INTRD officials, six former competitors came together as the Western Metal Working Network. By marketing their full range of industry services, the Network is positioning itself to secure large contracts and have set their sights on the Alberta market where more than 50 major projects, each valued at over \$100 million, are on the drawing board. In the Fall of 2006, the Network met with senior industry stakeholders, public companies and government officials from Alberta who traveled to Stephenville at the invitation of the Bay St. George Task Force. They confirmed that local fabrication and shipment to Alberta is feasible. Network members expect to have all quality assurance controls and welding certification in place within a year.

PROGRAM PROFILE

Supplier Development

“Taking the mystery out of the procurement business”

Ever wonder who puts together the requests for those big government contracts? Want to know how to get your firm on an approved supplier list or learn how to position a service delivery proposal for maximum success? If so, the province's Supplier Development Information Sessions are for you. Now entering the third year, these sessions have been held at 13 different locations across the province. With over 200 participants to the end of 2006-07 our client satisfaction survey is showing positive response and results:

- 52 per cent contacted the presenters/ organizations after the session for further information;
- 86 per cent reported that the sessions provided additional information on the purchasing process for goods and services required by the public sector;
- 92 per cent indicated they would attend another session in their area;
- 97 per cent felt that the information received was helpful for identifying public sector bidding opportunities.

2007-08 will see continuation of the public procurement information sessions and the expansion of a new stream, which will focus on private sector procurement opportunities within the province.

2006-07 Objective	By 2007, the Department of Innovation, Trade and Rural Development, in collaboration with the Government Purchasing Agency, will have completed implementation of the new provincial supplier development initiative.
Measure	Supplier development initiative implemented.
Indicator	Industry information and development sessions conducted regularly in all regions.
Activity	Eleven public sector sessions involving over 200 participants have now been completed for all of the Department's administrative regions.
Indicator	Percentage of participants reporting improved access to provincial tender opportunities.
Activity	Preliminary follow-up with core business participants (six of eleven sessions) indicates 41 per cent bid on public sector opportunities as a result of the sessions. Of those, 58 per cent were successful in their bids.

DISCUSSION:

In support of small and medium-sized enterprise development, the Department launched the Supplier Development Program. It expands earlier supplier development initiatives by focusing on maximizing supply opportunities within the public sector for provincial firms and by providing information and guidance to enhance the competitiveness of their bids. Program support is delivered through information and networking sessions. As of 2006-07, more than 200 participants attended these sessions.

The release of *Selling to the Government of Newfoundland and Labrador*, in January 2007, provided information on the purchasing and bidding processes and on marketing to government. In February, the Department and the Office of the Chief Information Officer began drafting the design requirements for a public sector online procurement directory database. This directory would further help local firms identify and access public sector supply opportunities.

The Supplier Development Program also has the potential to expand into the private sector bringing together large companies in the province with local suppliers. In 2006-07, two introductory private sector information/networking sessions focused on supply opportunities in relation to the mining industry as well as with a large wholesaler/retailer. These attracted more than 75 business participants.

2007-08 Objective	By 2008, the Department of Innovation, Trade and Rural Development will have doubled the number of business network initiatives underway in the province.
Measure	The number of business network initiatives is doubled.
Indicator 1	Number of business network initiatives operating in the province in 2007-08 compared to 2005-06.
Indicator 2	Funding provided to support network development and network activities.

TAKING ACTION ON STRATEGIC DIRECTIONS

This section describes INTRD's activities in support of five of the Provincial Government's broad strategic directions including:

- Regional diversification and industry growth
- Innovation enhancement
- Small and medium-sized enterprise business supports
- Business promotion, trade, and investment development
- Business, industry, and economic intelligence

The Department's responsibilities and activities under these strategic directions cut across many sectors and engage staff in an extensive range of regional development and business support activities. Although these activities do not always fall directly under INTRD's priority issues, they are critical components of the comprehensive services delivered by the Department.

REGIONAL DIVERSIFICATION AND INDUSTRY GROWTH

PROVINCIAL OUTCOME:

DIVERSIFIED AND STRENGTHENED REGIONAL ECONOMIES

Since 1998, the province's economy has experienced strong growth in offshore oil production, mining, a diversified fishery, residential and commercial construction, tourism and manufacturing. Employment has grown, wages are higher and consumer confidence is increasing. But challenges remain, including persistent under-employment and the need for economic diversification in some regions. In light of market weaknesses in fish processing and paper manufacturing, the challenge of reducing single industry dependency is particularly significant.

In March 2005, government established nine regional councils through the Rural Secretariat that support sustainable regional development. These regions were built on factors such as available infrastructure, the number of communities, population and economic and labour market activity.

Government recognized the need for a coordinated, integrated economic strategy for regional economic prosperity. In consultation with the people of Newfoundland and Labrador, the Province developed guiding principles. Regional economic development policy must:

- Emphasize regional industrial diversification
- Link industrial development to small business creation
- Recognize the linkages between social and economic planning
- Emphasize innovation and technology as cornerstones for industrial development
- Be understood in the context of strategies that will create new business opportunities and long-term sustainable employment

PROFILE

Distinctive Mouldings Limited

"Good in the Corners"

Stirling Russell was a home-building contractor who made his own baseboards and door and window facings. He became so good at making mouldings that, in the early 1990s, he made it his business. Distinctive Mouldings Ltd. employs 24 people full-time at its Blaketown plant. The company's product line includes more than 100 types of finger-jointed and solid pine mouldings. They also make a line of hardwood and softwood flooring that includes Newfoundland birch and spruce and mainland oak, birch and pine. The company is a prime example of the innovative small scale manufacturing businesses located throughout the province that continue to benefit from INTRD's services and funding.

PROFILE

Labrador City Industrial Park Expansion

“While the Iron is Hot”

With the demand growing for supplies and services in the iron ore industry and with its industrial park full, Labrador City decided to expand local industrial capacity. With 10 hectares of land donated by IOC—enough for 11 industrial plots—and a pre-engineering study in hand, the town divided the project into two phases. Four businesses opened shop in Phase One, creating more than 100 jobs. In 2006-07, the Town began Phase Two and turned to INTRD. Because it enhances community capacity and builds on regional strengths, the project qualified under the Province’s Regional Sectoral Diversification Fund. Benefits include mining supply and service base expansion, new opportunities for youth, more skilled local jobs and a source of municipal tax.

Government is committed to building on the existing strengths in rural communities. Government is committed to assisting those communities as they seek new opportunities to diversify and expand their economies. In support of this commitment, INTRD, in consultation with other departments, has developed a comprehensive economic and regional development strategy for the province. This strategy is focused on identifying the key priorities for promoting sustainable development in every region.

The Comprehensive Regional Diversification Strategy (CRDS) identifies the strategic investments necessary to advance economic, social, cultural and environmental development in all regions. The strategy directs Provincial Government resources to ensure the greatest impact for the greatest number of people. Major regional strategy initiatives in rural areas are either well advanced or already being implemented.

In support of the CRDS, processes are in place so the Department can quickly identify regional strategic initiatives with the largest economic impact, particularly in rural communities, and provide the support necessary for their success.

In 2006–07, INTRD worked with ACOA, Industry Canada and the Department of Foreign Affairs and International Trade to support continued economic growth and diversification and helped build industry partnerships by supporting provincial and regional industry and business associations. Key local partners included Regional Economic Development Boards (REDBs), the Rural Secretariat regional councils and municipal councils. The Department also collaborated with other provincial government departments including the Rural Secretariat and the Department of Business.

Regional Diversification and Industrial Growth Activity	Contributing Programs/Activities
Partnerships and coordination	Partnership development Coordination of public investments Regional development services Community Capacity Building Program Communities Taking Charge Program
Business retention, business expansion and new business establishment	Business financing (various programs) Business counseling and support services Trade and export development Supports to investment attraction Business Retention and Expansion Initiative
Industry development and diversification	Strategic industries development Advanced technical industries development

PROGRESS STATEMENT

Economic activity is one of the best indicators of progress towards regional diversity and sustainability. Despite demographic shifts and slowdown in resource-based industries in some communities, progress in 2006-07 was evident. Regional employment was up in two of the province's four labour force regions: a six per cent increase for the South Coast/Burin Peninsula, and a 2.8 per cent increase for the Avalon Peninsula. Regions continued to show a healthy distribution of businesses in 2006-07 with 52 per cent of firms located outside of the Avalon Peninsula.

Through on-going research and analysis, the Department's Regional Planning and Development unit, which represents the Province's regional economic development policy interests, recommends goals, objectives, targets and opportunities for economic development provincially and in each region.

The Regional Economic Planning and Development Program, with an annual budget of \$1.2 million from the Province, leverages an additional \$3.0 million from the federal government to undertake:

- Funding agreements with 20 Regional Economic Development boards
- Capacity building in support of economic development
- Policy and program research and development in support of clients
- Collaboration with ACOA in ensuring a consistent and transparent relationship with regional clients.

The value of INTRD's research and planning efforts as well as the successful completion of initiatives and their resulting economic benefit to the province leads to significant economic value to the province. The Regional Economic Development Branch of INTRD works with REDBs to develop plans that support the principles of the Comprehensive Regional Diversification Strategy.

MAJOR ACCOMPLISHMENTS

- Established the Bay St. George Provincial Task Force to help strengthen and diversify the local economy after the closure of the mill:
 - » Worked with Community Development Committee and community leaders to advance economic initiatives identified as priorities for development;
 - » Approved \$2.9 million for 38 initiatives and leveraged \$5.4 million from other sources.
- Participated in the Harbour Breton Industrial Adjustment Services Committee after the fish plant closed:
 - » Provided support to help create employment and attract a new operator;
 - » Advised the committee on community business plan initiatives and other community development activities;
 - » Contributed \$54,000 from the Regional Sectoral Diversification Fund to the Elliott Premises tourism infrastructure project.

PROFILE

**Bonavista Institute
for Cultural Tourism**

“No Accidental Tourism”

For those interested in the potential of cultural tourism, the Bonavista Peninsula is a richly endowed, living laboratory. And it is here, after extensive review, that the College of the North Atlantic (CNA) has decided to establish the Bonavista Institute for Cultural Tourism (BICT). Located on the CNA's Bonavista Campus in Economic Zone 15, where tourism is recognized as a key industry, the CNA is developing the BICT to help broaden its training focus to include the entire Atlantic Canadian region. With funding from INTRD and ACOA, they will launch the two-year pilot project with an inaugural conference in the Fall of 2007.

- Initiated mechanisms to coordinate government response to fisheries restructuring:
 - » Participated in a newly created internal working group whose mandate was to develop a provincial response to fisheries issues;
 - » Developed a framework to assist plant workers and regions impacted by fish plant closures. The framework, announced in June 2006, is a two-track approach to address the needs of the people displaced and to identify local business opportunities for regional economic diversification. (Fortune was designated as the first community eligible for these services).
- Under the regional economic planning and development program, delivered training workshops and economic-focused planning sessions to interested stakeholders with a clear link to economic development:
 - » Delivered 103 workshops through the Community Capacity Building and Communities Taking Charge programs. These help participating communities implement effective economic development and regional human resources planning;
 - » Worked with hundreds of community leaders and volunteers to help build local leadership capacity and draft integrated REDB's work plans.
- Advanced the Business Retention and Expansion initiative:
 - » Supported the action plans of 22 REDBs, Chambers of Commerce, municipalities and industry associations;
 - » Facilitated 17 regional and sectoral planning sessions;
 - » Completed 20 business retention and expansion action plans;
 - » Assisted with an additional 74 action plans in development at the end of the fiscal year.
- Through the co-operative development partnership, created in 2005 under an agreement between INTRD and the Newfoundland-Labrador Federation of Co-operatives, experienced significant growth in 2006-07:
 - » Delivered 60 co-op development sessions to groups seeking general co-op assistance or requiring assistance to establish a co-op;
 - » Established two co-ops and began preparation to incorporate two more.
- Targeted regional investment in fur farming to help build infrastructure and provide farming experience, and partnered with the Department of Natural Resources to develop and implement a skills training program for the industry.
- In partnership with federal partners and the Department of Tourism, Culture and Recreation, funded the new Bonavista Institute for Cultural Training.

- Funded significant initiatives through the RSDF:
 - » A study of trade and commerce potential in the circumpolar regions with emphasis on air and marine passenger and freight transportation between Labrador and Nunavut and feasibility of designating Happy Valley–Goose Bay as the food and mail hub for a Baffin Region service;
 - » Support for Newfoundland Independent Filmmakers Co-operative Studios to upgrade post-production equipment to industry standards and help keep post-production editing in the province;
 - » An expansion of training capacity for film and video production at the College of the North Atlantic's Bay St. George campus. This will help create a two-year Diploma of Arts in Film and Video Production;
 - » An analysis of sawmill electrical usage to identify means to reduce consumption and cut production costs;
 - » Renovations to the Anna Templeton Centre for Craft, Art and Design to better serve the province's professional and recreational craft industry.

KEY MEASURES

Table 1: Investment in Regional and Sectoral Initiatives

Regional Sectoral Diversification Fund								
Region	2006–07				2005–06			
	Provincial Investment	Leveraged Investment	Total Project Value	Number of Initiatives	Provincial Investment	Leveraged Investment	Total Project Value	Number of Initiatives
Avalon	\$243,169	\$831,067	\$1,102,078	17	\$444,180	\$2,283,397	\$2,605,730	14
Eastern	\$952,026	\$2,479,772	\$3,438,855	20	\$743,360	\$3,525,263	\$4,236,226	14
Central	\$363,554	\$1,681,229	\$2,159,304	9	\$449,471	\$3,020,106	\$3,618,817	15
Western	\$2,268,243	\$4,679,921	\$7,252,117	35	\$1,444,834	\$5,010,860	\$6,607,457	20
Labrador	\$521,379	\$2,440,466	\$2,964,057	17	\$428,119	\$1,516,006	\$1,988,960	11
Pan-Provincial	\$1,793,175	\$5,941,391	\$7,792,566	9	\$389,177	\$1,837,525	\$2,247,296	9
Total	\$6,141,546	\$18,053,846	\$24,708,977	107	\$3,899,141	\$17,193,157	\$21,304,486	83

Source:
RSDF program database

Notes:

- For the Regional Sectoral Diversification Fund, leveraged amounts do not include contributions from other provincial government sources and HST rebates. The Western total for 2006–07 includes \$1,228,954 invested in support of initiatives arising from the work of the Bay St. George Task Force. Five projects totalling approximately \$400,000 are export-oriented.
- Not reported in the table above was an additional \$295,592 invested through the sector development component of the Craft Industry Development Program. This component included province-wide activities and Craft Council funding.

Table 2: Total Investment in Business Enterprises by Region, 2006-07

Total Investment in Business Enterprises by Region, 2006-07							
Program	Avalon	Eastern	Region Central	Western	Labrador	Total Investment	Provincial Investment
Business and Market Development Program	\$1,119,760	\$296,182	\$537,732	\$2,309,544	\$89,613	\$4,352,831	\$1,085,589
Small and Medium-sized Enterprise Fund	\$2,055,207	\$350,000	\$3,817,321	\$7,068,146	\$634,000	\$13,924,674	\$3,476,460
Commercialization Program	—	—	—	—	—	\$6,368,781	\$2,292,401
Craft Industry Development Program	—	—	—	—	—	\$136,021	—
Total						\$24,782,307	\$6,854,450

Source:

Funding program data from Portfolio Management and INTRD's Client Information System

Notes:

The majority of the amount through the Craft Industry Development Program (CIDP) was designated for marketing activities (this included both provincial and national trade shows and marketing events) and excludes sector development initiatives.

Table 3: Commercial Investments by Key Industry Grouping

Sixty per cent of provincial and leveraged dollars allocated to business clients targeted four main industry types:
Primary resource industries
Manufacturing
Health care and social assistance
Accommodation and food services

Notes:

- Department programs supporting clients' business-related initiatives included the Business and Market Development Program, the Small and Medium-sized Enterprise Fund (Term and Equity), the Craft Industry Development Program and the Commercialization Program.
- Data was gathered from available records on the Client Information System. It should be noted that 25 per cent of business-related funding was not coded according to industry type on the CIS. This measure is therefore likely underreported at this time.

Table 4: Instances of Services Provided to Non-Business Clients and Projects

Service Type	2006-07	2005-06
Brokering	140	136
Business/Strategic Planning	21	9
Information Provision	167	78
Marketing Assistance	7	5
Needs Assessment	31	27
Organizational Support	110	88
Project Management Assistance	16	11
Proposal Development	48	40
Skills Development/Training	12	19
Total Activities	552	413

Source:
INTRD's Client Information System

Note:
The values reported reflect repeat clients.

INNOVATION ENHANCEMENT

PROVINCIAL OUTCOME: AN INNOVATIVE CULTURE

Through INTRD, the Provincial Government is developing and delivering initiatives and programs that identify and encourage new ideas and new ways of doing business. Private investment is one of the most important drivers of innovation activity. The latest comparison of Canadian provinces with respect to research and development spending as a share of GDP (2004) indicates that this province spent the least amount for research and development. This reality has provided impetus to the introduction of new initiatives by INTRD to stimulate increased investment in research and development.

Innovation Activity	Contributing Programs/Activities
Research, development and commercialization	Executive Advisory Group Industrial Research and Innovation Fund Commercialization Program Innovation Enhancement Program
Skills training and technology infrastructure	Broadband strategy Higher education and public research funding Partnership development (post-secondary)
Culture and awareness	Collaboration for provincial promotion at international events Dissemination of Innovation Strategy Funding for innovation enhancement

PROFILE

Abbyshot Clothiers Limited

"They're Gonna Make a Big Star Out of You"

While Uma Thurman wowed audiences as she kicked and jabbed her way across the screen in the action movie *Kill Bill*, it was her on-screen leather jacket and pants that most impressed Bonnie Cook and Adam Bragg. And they knew other people would be impressed. Co-founders of AbbyShot Clothiers Limited, they've built a successful clothing design and manufacturing business on a simple yet ingenious idea: AbbyShot's garments are styled after clothing worn in movies, animated series, TV shows and computer games. Their distinctive products have quickly won them a fan base world-wide. They have finalized deals with major studios and prominent Hollywood producers. And Abbyshot's ability as clothiers appears to be matched by their marketing savvy. In March of 2007, they won the provincial Export Award of Merit for outstanding exporting success.

PROFILE

Dynamic Air Shelters

*“Getting Pumped on the
Burin Peninsula”*

Since moving its manufacturing headquarters from Calgary, Alberta to Grand Bank, Dynamic Air Shelters Limited has experienced healthy growth. This is thanks in part to its aggressive pursuit of new markets through INTRD's trade missions. Dynamic Air Shelters manufactures inflatable shelters and has contracts with medical supply firms and oil companies in the U.S. and Canada. They currently employ 35 people in Grand Bank. Encouraged by its EDGE (Economic Diversification and Growth Enterprises) status and by the superior quality of local employees, Harold Warner, president of Dynamic Air Shelters, says the company's move has fuelled its growth in 2006 and 2007. The company's long-term projections include upwards of 100 employees in Grand Bank.

PROGRESS STATEMENT

2006-07 is the baseline year for tracking innovation program performance for the Innovation Strategy. Creation of the innovation enhancement and commercialization programs is the first of many steps toward supporting the growth of innovation capacity in the province over the long term. Capacity growth is an essential ingredient for progress on most of the macro level innovation indicators.

The Department focused on implementing and delivering its new innovation programs during the fiscal year. To promote the province's innovative capacity, INTRD participated in international events with the federal government, industry groups, and companies.

Department staff delivered Innovation Strategy presentations to sector groups to encourage them to use innovation programs and services to their advantage. Through internal development and partnerships, the Department is putting the resources in place to fully implement the Province's Innovation Strategy.

MAJOR ACCOMPLISHMENTS

- Launched the Commercialization and Innovation Enhancement Programs.
- Initiated work on the provincial research and development strategy and the proposed research and development council. Based on the Department's findings and recommendations, Budget 2007 allocated \$29 million for research and development projects in natural resources and knowledge-based industries.
- Led the formation of an interdepartmental working group tasked with identifying research and development priorities.
- Contributed \$6.0 million from the Industrial Research and Innovation Fund (IRIF) to help build the infrastructure for research and technology and foster technical expertise at the graduate and post-doctoral level.
- Promoted the province's innovative capacity at international events.
- Continued work on the Province's broadband strategy and its multi-year communications investment initiative. Following on recommendations of the 2005 joint federal/provincial study, *Setting the Context for a Federal-Provincial Broadband Strategy*, the Province launched its broadband initiative as one component of the provincial innovation agenda. The objective of the initiative is to consolidate and improve telecommunications and data networks throughout government departments and agencies. Over a two-year period beginning in 2006-07, Government is also investing \$15 million in a high-speed, competitive fibre optic communications network that will link to national and international networks. This investment will lever approximately \$37 million from the private sector, create a broad range of economic development opportunities and help provide enhanced services in sectors such as healthcare, education and justice.

KEY MEASURES

Table 5: Investment in Innovation Activities

Investment in Innovation Activities								
	2006-07				2005-06			
	Provincial Investment	Leveraged Investment	Total	Number of Initiatives	Provincial Investment	Leveraged Investment	Total	Number of Initiatives
Innovation Enhancement Program Sub-Total	\$538,130	\$2,798,755	\$3,336,885	5	The Innovation Enhancement Program and Commercialization Program did not exist in 2005-06			
Commercialization Program Sub-Total	\$2,292,401	\$4,076,380	\$6,368,781	9				
Industrial Research and Innovation Fund Sub-Total	\$6,003,627	\$8,671,643	\$14,675,270	29	\$4,407,944	\$34,676,256	\$39,084,200	20
All Programs	\$8,834,158	\$15,546,778	\$24,380,936	43	\$4,407,944	\$34,676,256	\$39,084,200	20

Source:
IEP, Commercialization, and IRIF program databases

Notes:
In 2005-06, INTRD participated in three large projects that significantly increased the leveraged funding related to the Industrial Research and Innovation Fund (IRIF). In general, projects submitted under IRIF tend to have a total project cost of approximately \$1.0 million and rarely exceed \$3.0 million.

Table 6: Provincial and Leveraged Dollars Invested in Communications Infrastructure – Multi-year Broadband Strategy

2004-05		2005-06		2006-07	
Provincial:	\$718,345	Provincial:	\$5,048,486	Provincial:	\$114,615
Federal:	\$10,463,460	Federal:	\$8,815,871	Federal:	\$982,723
Other:	\$3,424,091	Other:	\$21,571,963	Other:	\$415,153
Total:	\$14,605,896	Total:	\$35,436,320	Total:	\$1,512,491

Source:
Various government announcements and other sources.

Notes:

- Total Provincial: \$5,881,446; Total Federal: \$20,262,054; Total Other: \$25,411,207
- Grand Total: \$51,554,707
- 2005-06 figures include the Centre for Distance Learning and Innovation project

PROFILE

Labrador Preserves Company

“Tapping into the Organic Foods Market”

Labrador Preserves Company of Forteau is well positioned to profit from the market for natural and organic food. A primary feature of their brand is “all natural fruit spreads and syrups made with the freshest, juiciest wild berries, hand-picked on the pristine Labrador barrens.” While on provincially-led trade missions, Labrador Preserves has struck agreements with U.S. organic food distributors. In New England, as part of an Atlantic Canadian trade mission, they signed with distributors in Massachusetts, Rhode Island and New Hampshire. “Now that we’ve entered the upscale, fine food market in New England, our follow-up and promotion will be critical because of strong competition from Sweden,” says Larry Stephan, the company’s marketing director.

SMALL AND MEDIUM-SIZED ENTERPRISE BUSINESS SUPPORTS

PROVINCIAL OUTCOME:

AN ENVIRONMENT SUPPORTIVE OF ENTERPRISE ESTABLISHMENT AND GROWTH

INTRD provides funding programs and business counseling services to help small and medium-sized businesses take advantage of growth opportunities and to build sectoral and regional networks and encourage partnerships that enhance capabilities and create opportunities.

Small and Medium-sized Business Support Activity	Contributing Programs/Activities
Business financing	Small and Medium-sized Enterprise Fund Business and Market Development Program Fisheries Loan Guarantee Program Aquaculture Working Capital Fund
Business counseling and information services	Trade and export information services Small business counseling/support services Sector development services
Business networks	Business Networks Funding Program Regional Co-operative Development Strategy
Business financing aftercare	Portfolio Management Investment Restructuring

PROGRESS STATEMENT

During the fiscal year the Department focused on creating a business environment that supports the start-up of new enterprises, the expansion of existing ones and the attraction of new business investment. In 2006, there were 16,242 small businesses registered in the province, contributing to economic development in rural and urban regions. These small businesses comprised 98 per cent of total businesses province-wide. Through a network of corporate, regional and field offices, INTRD provided business support services in all regions of the province. These services range from delivering the Department’s own suite of programs to brokering with economic development partners to lobbying on behalf of clients.

MAJOR ACCOMPLISHMENTS

- Promoting INTRD investment programs to target sectors and clients.
- Contributions of \$6.9 million to SMEs across the province through the Department’s business financing programs. This investment helped leverage a further \$17.8 million.
- Providing funding assistance to companies across the province to help them move forward with their plans to create employment for more than 350 people (based on what businesses say investment will create).
- Completion of Business Retention and Expansion projects to identify and address local issues impacting small businesses’ ability to grow.
- Support for an analysis of the Western Metalwork Working Group’s capability and preparedness to fabricate components for the Alberta market.

- Assisted the Northern Peninsula Business Network to fund the costs of hiring a consultant to prepare export plans for the 10 member companies. The Department also helped the network underwrite the costs a major business-related conference in Corner Brook in February 2007.
- The formation of an export development working group for those involved in construction. Working group partners included representatives from industry and government agencies.
- Regional and field office and corporate staff:
 - » handled approximately 7,000 inquiries and requests for information from entrepreneurs, small-business owners, and other individuals;
 - » recorded more than 1,400 instances of specialized business counseling and other support services to entrepreneurs, companies and industry groups; and
 - » delivered 10,000 instances of business aftercare services to these clients.

KEY MEASURES

Table 7: Investment in Business Enterprises

	2006-07				2005-06			
	Provincial Investment	Leveraged Investment	Total	Number of Initiatives	Provincial Investment	Leveraged Investment	Total	Number of Initiatives
Business and Market Development Program Sub-Total	\$1,085,589	\$3,267,242	\$4,352,831	112	\$696,710	\$1,241,799	\$1,938,509	71
Small and Medium-sized Enterprise Fund Sub-Total	\$3,476,460	\$10,448,214	\$13,924,674	33	\$2,674,444	\$7,397,879	\$10,072,323	30
Craft Industry Development Program Sub-Total	--	--	\$136,021	43			\$156,596	50
Commercialization Program Sub-Total	\$2,292,401	\$4,076,380	\$6,368,781	9				
All Programs	\$6,854,450	\$17,791,836	\$24,782,307	197	\$3,371,154	\$8,639,678	\$12,167,428	151

Source:

Funding program data from Portfolio Management and INTRD's Client Information System

Notes:

- For the Craft Industry Development Program, the amount shown excludes sector development initiatives. The majority of this amount was designated for marketing activities (this included both provincial and national trade shows and marketing events).
- The Commercialization Program was launched in August 2006 – there is no comparative data for 2005-06.

PROFILE

Convergys Corporation

We say "Hello"

In September 2006, Convergys Corporation announced an expansion in St. John's, to a second location creating 300 new jobs. Those are in addition to the 1,500 people employed at the current St. John's location. In fact, employment growth is forecasted for all customer contact centres province-wide in the next five years. In 2006-07, the Provincial Government contributed to this growth with wage subsidies to four customer contact centres totaling \$2.5 million. In 2007-08, it is forecasted that the Department will increase wage subsidies to the industry by approximately 29 per cent and expand funding allocations to include two additional companies.

Table 8: Instances of Services Provided to Business Clients and Industry Associations

Service Type	2006-07	2005-06
Brokering	263	211
Business/Strategic Planning	82	292
Information Provision	1,007	977
Marketing Assistance	72	71
Needs Assessment	59	84
Organizational Support	26	28
Project Management Assistance	14	18
Proposal Development	50	69
Skills Development/Training	17	7
Total Activities	1,590	1,757

Source:
INTRD's Client Information System

Note:
The reported values reflect repeat clients.

BUSINESS PROMOTION, TRADE AND INVESTMENT DEVELOPMENT

PROVINCIAL OUTCOME: INCREASED BUSINESS PROMOTION, TRADE AND INVESTMENT

The Department works with industry associations, individual exporters and other key stakeholders to continually improve export development, trade and business promotion benefits for Newfoundland and Labrador industries.

Business Promotion, Trade and Development Activities	Contributing Programs/Activities
Export development and promotion	Trade Mission support Provincial Export Awards Market opportunity seminars
Investment development	Support services to businesses locating in the province Provincial Nominee Program Customer Contact Centres
Trade policy	Internal Trade Policy International Trade Policy
Enterprising culture	Ambassador Program Getting the Message Out Program Vision Newfoundland and Labrador

PROGRESS STATEMENT

The province continued to experience growth in exports during 2006-07 primarily based on the strong performance of the mineral and oil resource sectors. As a share of GDP, total provincial exports still remain lower than most other provinces however the gap is narrowing. The long-term challenge for INTRD is to help translate some of the export strength of the resource sector to other sectors of our economy.

To help build export capacity, the Department provides export-oriented firms with access to market opportunity seminars, market information and intelligence, counseling, export readiness assessments, incoming and outgoing trade missions and exhibitions. Thirty-two per cent of business-related funding was paid to clients with projects described as export-oriented in 2006-07 – down from 57 per cent in 2005-06. INTRD re-configured its business strategy for export development to better meet the needs of export clients. The Department also increased trade mission activity and participated in negotiations to reduce internal trade barriers and develop new business opportunities in various sectors.

MAJOR ACCOMPLISHMENTS

- As a member of the management committee for the Canada-Atlantic Provinces Agreement on International Business Development, helped approve 20 Atlantic export-related projects for a total of \$2.7 million. The \$10 million agreement with the other Atlantic Provinces and the Government of Canada covers four program areas:
 - » Market information and intelligence;
 - » Export training and awareness;
 - » Planning and research; and
 - » International business development.
- Led 11 provincial trade missions to markets in Alberta, Boston, Greenland, Iceland and Ireland, and two Team Canada Atlantic missions to Florida. This is the largest number of trade missions and largest participation rate of private sector companies in recent years:
 - » Through the International Trade Assistance Program, offered funding assistance to 86 companies to help offset travel costs for Department-led trade missions and exhibitions;
 - » Retained in-market consultants to identify opportunities and arrange targeted meetings for mission participants.
- Worked as a member of the Council of the Federation, to improve trade within Canada:
 - » Led changes to the procurement chapter of the Agreement on Internal Trade (AIT);
 - » Minister assumed the Chair of the AIT for 2007. This includes committees of provincial/territorial ministers and internal trade representatives.
 - » Chaired an interim meeting of the Committee on Internal Trade, February 2, 2007 and was scheduled to chair the annual meeting in June 7, 2007.
- Responded to enquiries from companies that indicated a potential interest in making an investment in the province. The Department also worked in collaboration with the Department of Business to respond to specific enquiries.
- Under the Business Networks Program, approved funding for five networks in the province to assist with export development efforts.

PROFILE

Terra Nova Marine Co. Ltd.

"Mission Possible"

With more than 25 years in the marine technology industry, Terra Nova Marine Co. Ltd. has established export markets for their custom, turnkey electrical design, engineering and manufacturing services in Canada, the United States, Norway and Iceland. Their international success is due in part to their commitment to excellence in research in both electrical and mechanical disciplines, and to their initiative in getting the message out. Terra Nova Marine is a regular participant in provincially-led trade missions to international trade shows. This award-winning, Mount Pearl-based company proactively develops solutions for industrial and private projects such as micro-power generation, fire suppression systems and shipboard monitoring, control and alarm systems.

PROFILE

National Buyer/Seller Forum

*“Goods and Services
Alberta Bound”*

In 2006-07, INTRD sent representatives to Alberta to gather information on opportunities for companies to sell goods and services there. Opportunities identified included the Edmonton National Buyer/Seller Forum (NBSF). The Department worked with the other Atlantic Provinces to build a regional presence at this event. We staged a pre-exhibition training and briefing session in St. John's before leading a delegation of 18 Newfoundland and Labrador companies to the forum. Feedback indicates that the NBSF fostered business networking and helped build good contacts in Alberta for the participating companies.

- Hosted the Export Awards, March 9, 2007 in which 55 companies were nominated. Exporter of the Year was North Atlantic Refining with \$2.0 billion in exports. Runners-up were Hurley Slateworks and Provincial Aerospace Limited. The Export Award of Merit went to Abbyshot Clothiers Ltd.
- The Department produced a provincial Directory of Exporters which will be updated on a regular basis.

BUSINESS, INDUSTRY AND ECONOMIC INTELLIGENCE

PROVINCIAL OUTCOME:

IMPROVED UNDERSTANDING OF AND RESPONSE TO SIGNIFICANT AND LONG-TERM ECONOMIC AND COMPETITIVENESS ISSUES.

Timely market intelligence better equips provincial businesses and industries to take advantage of, and react to, opportunities and challenges. To this end, INTRD partners with other departments to provide staff, clients and industry groups with information to remain competitive on a provincial, national and global level.

Business, Industry and Economic Intelligence Activity	Contributing Programs/Activities
Information product development and dissemination	Provincial competitiveness framework and analysis Labour market information, analysis and support Sector profiling and support services
Intra-governmental and multi-stakeholder coordination	Strategic partnership forum Federal-provincial agency co-ordination Industry co-ordination

PROGRESS STATEMENT

The Department focuses on strong policy development through enhanced research and analysis. Providing timely and accurate business, industry, and economic intelligence to provincial and government stakeholders requires the development of strong working relationships with government departments and agencies at the provincial and federal level. This liaison and co-ordination continued in 2006-07 and resulted in the production and distribution of the competitiveness report findings and related data to provincial stakeholders.

In partnership with the Newfoundland and Labrador Statistics Agency, INTRD developed a prototype for an internal Provincial Government production-accounts system. This web-based system includes industry-level economic data. In addition, the Department supported the Atlantic Policy Roundtable with information and data on regional and provincial economic issues.

MAJOR ACCOMPLISHMENTS

- Focused on internal capacity building and partnership development:
 - » Analysed and distributed information to meet the increasing demands on this service from divisions within the Department and from other Provincial Government departments.
- As part of the Atlantic Policy Roundtable, developed detailed competitiveness analyses for each of the Atlantic Provinces and presented them to senior officials.
- Completed work, through the Strategic Partnership Initiative, in several areas including tax policy, labour market development, capital investment and employment relations.
- Contributed significantly to the Provincial Development Plan (PDP). This plan is designed to allow the review of progress on government initiatives underway and to determine if new initiatives need to be undertaken in the next phase of the Provincial Government's agenda for economic and social development:
 - » Worked with the Office of the PDP which received advice from and collaborated with a Deputy Ministers' committee that included the Deputy Minister of INTRD;
 - » Compiled information on programs, services, and initiatives for all Department divisions;
 - » The Regional Development Division produced regional profiles that reflected the activity of the Comprehensive Regional Diversification Strategy in each of the nine Rural Secretariat regions;
 - » Strategic Industries and Innovation, Research and Advanced Technologies compiled sector strategies and profiles for a number of the province's strategic industries.
 - » The Department also supplied information regarding the status of the Province's Innovation Strategy, Research and Development Strategy, Government Broadband Initiative, the redesigned Export Development Strategy and strategic partnerships;
 - » The Policy and Planning division provided coordination, research and writing support to the PDP office, and provided an analysis of the province's competitive position.

PROFILE

Stephenville Safety and Emergency Response Training Centre

"Leave Nothing to Chance"

Having partnered with the Stephenville Airport Corporation in 2003 to establish Stephenville's Safety and Emergency Response Training Centre (SERT), the Marine Institute and the College of the North Atlantic continue to build training capabilities in western Newfoundland. In 2006-07, they laid the groundwork for three training programs that are new to SERT: Advanced Marine Emergency Duties; Firefighting and Recruitment; and Fire Investigation. This expansion enables the Centre to quickly and effectively respond to regional, national and international training requirements for fish harvesting, marine transport, oil and gas and aviation. And it makes the Centre an Atlantic Canadian leader for this training – attracting students, reactivating existing infrastructure and creating employment.

SHARED COMMITMENTS

To ensure the Department's services are responsive to economic and community development needs, and to the Provincial Government's broader economic and social objectives, INTRD works collaboratively with regional agencies, boards, industry associations, business groups and other provincial and federal departments.

BUSINESS AND INDUSTRY ASSOCIATIONS

The Department collaborates with business and industry groups to support the growth of local firms and expand industry capacities. Initiatives range from identifying export capacity to developing new markets to securing targeted funding for industry initiatives.

EDUCATION AND ECONOMIC DEVELOPMENT

The "Getting the Message Out" (GMO) Program expanded its strategic communication activities to include workshops that encourage people to think about business and career opportunities in Newfoundland and Labrador. In 2006–07, a total of 14,279 local participants were reached.

The initiative also exposed youth to business and economic opportunities within the province through enhancing curriculum materials. During the fiscal year, INTRD revised its GMO Classroom Kit for high-school students. Adapted by the Department of Education as a resource for several courses, the kit includes case studies of businesses throughout Newfoundland and Labrador, a teacher's guide and a DVD of business and career-related interviews with entrepreneurs and their employees.

INFORMATION MANAGEMENT AND ACCESS TO INFORMATION

The Department is an early adopter of professional Information Management (IM) practices. The IM Division, formed in 2005, is responsible for departmental websites, an intranet, records management programs and management reporting systems.

During 2006–07, INTRD worked with the Office of the Chief Information Officer to assess IM capacity and future requirements. The focus was on managing information assets in the most effective and secure manner and addressing legal, economic, information and accountability issues. Priority areas identified included staff training, standards development and department-wide IM database implementation.

For the fiscal year ending March 31, 2007, there were 13 requests under the Access to Information and Protection of Privacy Act (ATIPPA). Twelve of those requests were completed within the deadlines prescribed by the Act. IM division staff participated actively in Government's internal ATIPPA Community of Practice group.

POVERTY REDUCTION

In June 2006, after an extensive research and consultation process, the Government of Newfoundland and Labrador released the Poverty Reduction Strategy, *Reducing Poverty: An Action Plan for Newfoundland and Labrador*. It outlines a plan for a long-term integrated approach based on the principles of social inclusion and collaboration. Twelve Provincial Government departments and agencies co-operate to identify and develop policies and programs designed to help groups most vulnerable to long-term poverty such as families led by single mothers, single people in general, single older adults in particular, persons with disabilities and Aboriginal people.

RED TAPE REDUCTION

To support the Province's initiative to reduce red tape and regulatory road blocks for the business community by 25 per cent, the Department conducted a full inventory of its programs. INTRD identified 6,692 business regulatory requirements – 80 per cent of which were various funding program forms. INTRD reviewed all forms as well as the departmental processing system looking for ways to simplify the forms, eliminate duplication and make processing more effective and consistent for clients and staff. During 2006–07, the Department reduced the number of regulatory requirements by 20.6 per cent.

An earlier external review of INTRD's programs found a high client-approval rating for the Department's response time and service. A departmental review in 2006–07 explored ways to benchmark the major-funding approval process. A report to recommend clear standards for client services is nearing completion.

REGIONAL ECONOMIC DEVELOPMENT BOARDS AND COMMUNITY ASSOCIATIONS

In partnership with ACOA, INTRD funds 20 Regional Economic Development Boards to help provide coordinated economic development planning for the province's economic zones. The Department also partners with communities and local associations to plan, fund and complete local projects in support of economic or industry development initiatives.

STRATEGIC PARTNERSHIPS

The Department is responsible for the Strategic Partnership Initiative (SPI) and the Secretariat for Ireland Business Partnerships (IBP). SPI's mandate is to partner with business and labour to increase Newfoundland and Labrador's global competitiveness. IBP has a mandate to identify, foster and promote trade and partnership opportunities in business, education and culture between the province and Ireland and thereby help identify potential partnership opportunities with government, industry and business.

PROVINCIAL HEALTHY AGING POLICY FRAMEWORK

To achieve the vision of a supportive, age-friendly province where seniors are enabled to live independently and to experience good health and well-being, the Province initiated a Ministerial Council on Aging and Seniors. Along with the Department of Health and Community Services, the lead on this initiative, INTRD participates through the council and through an interdepartmental working group to fulfill the policy. The working group provided departmental perspectives and policy input to help develop the Provincial Healthy Aging Policy Framework. This framework identifies and explores major themes and outlines six priority directions and a series of goals and actions to establish healthy aging in the province. To support framework implementation, the working group developed the Provincial Healthy Aging Implementation Plan, an integrated one-year action plan commencing in 2007–2008.

RURAL SECRETARIAT

The Department partners with the Rural Secretariat to identify strategies to assist the Secretariat in fulfilling its mandate of integrating the economic and social development policies and programs of the province, and supports the Rural Secretariat both at the regional level (implementation) and at the corporate level (policy development). In return, the Department uses the resources and advice of the Rural Secretariat in developing its own program and policy priorities, particularly in the area of regional development.

OTHER GOVERNMENT DEPARTMENTS

The Department works with other departments and agencies on issues related to regional diversification, rural development, industry development and economic policy. The focus is on improving the coordination of policies affecting business establishment and growth, including assisting business owners to more easily navigate provincial regulations and requirements. This working relationship spans all federal and provincial departments with a direct or indirect mandate for economic, industry or labour market development.

MEETING CHALLENGES, CREATING OPPORTUNITIES

In order to support economic growth, communities, businesses and the various sectors within the province, the Department of Innovation, Trade and Rural Development must constantly revise and update strategic plans to account for external factors.

Chief among the external influences is the province's economic performance. Over the past two decades, Newfoundland and Labrador's economy has changed from one that was largely dependent on the fishery to an economy with a heavy emphasis on non-renewable resources. Even though returns in the fishery have rebounded in non-traditional species such as crab and shrimp, it is the maturing oil and gas sector and the development of mining resources, such as Voisey's Bay, that are stimulating most of our recent economic growth. Forestry and pulp and paper continue to face restructuring pressures.

This economic growth includes a per capita GDP that is rapidly approaching the national average and capital investment, as a share of GDP, which is among the highest in the country. Over this 20 year period, the Province's fiscal position has greatly improved and we have come a long way in making this a better place to live, work and raise a family. We have made significant gains in economic and social indicators such as labour force participation rate, employment rate, and earned income per capita. The challenge will be to continue to make these gains against our provincial counterparts as we seek to reduce and eventually eliminate the most significant performance gaps.

In a provincial economy heavily dependent on the public sector, entrepreneurs have called on government to foster business capabilities and to help small companies grow in rural areas. In recognition of this, the Department is focused on understanding and working to remove local barriers to small business growth, particularly in those rural areas. To help create new opportunities we are supporting and tracking export development to national and international markets. We are working with existing and potential new business owners to address labour shortages and skills issues, succession planning and many other challenges. And we are seeking partnerships inside and outside of government to make this happen.

A RISING TIDE OF OPPORTUNITY

With a significant cluster of world-class facilities and expertise in ocean technology, Newfoundland and Labrador exports ocean-related goods and services for marine, coastal and ocean-based projects world-wide. These include climate-change research, geophysical hazards, national defense, maritime and homeland security and ocean observation. As local companies commercialize and market their technology, they are overcoming additional challenges such as distance from major markets, size relative to international competitors and limited access to private investment.

Recognizing these challenges and opportunities, the Department will, in 2007-08, continue to use the strategic plan as a road map for setting and achieving objectives. In addition to our four strategic issues, staff activities will focus on fostering competitiveness, building productivity, strengthening communities and regions and building pride in our business accomplishments. For our investments in business development and regional economic development, we will be guided by the Comprehensive Regional Diversification Strategy.

As directed by the *Transparency and Accountability Act*, in 2007-08 we will complete a second strategic plan. As part of this process, we will identify new issues, goals and objectives to take us to 2011. Internal efforts to improve client services in all branches of the department continue into the new fiscal year with the completion of a review of departmental funding programs and recommendations on program service standards.

The Department has begun work on the Provincial Research and Development Strategy, a companion initiative to the Innovation Strategy. It will look at practical ways to leverage and support more research and development in the province. We will expand current client programs and services with the launch of our new Export Development approach. It is the latest in a series of program and service updates we began in 2005 and continued in 2006-07 with the launch of the two new innovation programs.

We will continue to track and assess our economic progress through the provincial competitiveness framework. The next version of the framework will be released in 2007-08.

APPENDIX A: FINANCIAL PERFORMANCE

FINANCIAL STATEMENT

DEPARTMENT OF INNOVATION, TRADE AND RURAL DEVELOPMENT
STATEMENT OF EXPENDITURE AND RELATED REVENUE -
SUMMARY FOR THE YEAR ENDED MARCH 31, 2007

Financial Statement				
Line Item	Source of Expenditure	Original Estimate (\$)	Amended Estimate (\$)	Actual (\$)
1.1.01	Minister's Office (current)	303,800	303,800	244,028
1.2.01	Executive Support (current)	958,700	958,700	795,538
1.2.02	Administrative Support (current)	257,400	309,700	247,392
1.2.03	Policy and Strategic Planning (current)	679,400	449,400	362,645
1.2.04	Strategic Initiatives (current)	1,027,300	1,027,300	570,031
1.2.05	Administrative Support (capital) – Furnishings, Equipment	20,000	20,000	–
2.1.01	Export and Investment Promotion (current) (Less Revenue)	2,606,700 (600,000)	2,520,700 (600,000)	2,148,592 (48,000)
3.1.01	Business Analysis (current) (Less Revenue)	5,279,700	5,341,700	2,974,766 (74,167)
3.1.02	Investment Portfolio Management (current)	642,200	642,200	587,061
3.1.03	Canada/Newfoundland and Labrador Business Service Network (current)	424,100	424,100	345,344
3.1.04	Strategic Communications and Promotions (current)	1,381,500	1,590,200	1,522,514
3.1.05	Strategic Enterprise Development Fund (capital)	9,000,000	9,000,000	1,040,000
3.2.01	Strategic Industries Development (current) (Less Revenue)	1,397,100	1,397,100	1,220,497 (5,070)
4.1.01	Regional Economic Development Services (current)	2,048,300	2,048,300	1,637,976
4.2.01	Business and Economic Development Services (current)	4,554,000	4,547,000	4,304,749
4.3.01	Comprehensive Economic Development (current)	7,926,000	7,926,000	5,189,943
5.1.01	Advanced Technologies and Industrial Research (current)	6,730,700	4,730,700	1,923,814
5.1.02	Special Initiatives – Commercialization (capital)	–	2,000,000	557,901
Department Total		45,236,900	45,236,900	25,672,791

Expenditure and revenue figures included in this document are based on public information provided in the *Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for the Year Ended 31 March 2007*.

APPENDIX B: ACTIVITY STATEMENTS FOR REPORTING BODIES

EDGE ADVISORY BOARD

In 1995, the Province established the Economic Diversification and Growth Enterprises (EDGE) Program to encourage significant new business investment in Newfoundland and Labrador. This investment helps diversify the economy and stimulates new private sector job creation, particularly in rural areas. A performance-based incentive program, EDGE is available to local companies that want to expand, to local entrepreneurs interested in new business start-ups and to national and international companies and investors who want to establish a new enterprise in the province.

The EDGE Advisory Board is a Category Three entity under the Province's *Transparency and Accountability Act*. Their mandate includes the evaluation of applications for designation as an EDGE Corporation.

In 2006–07, there were 76 EDGE companies. These companies employed approximately 1,675 employees and had an estimated total investment of \$210 million in their operations since receiving EDGE status.

IBP ADVISORY BOARD

The Ireland Business Partnerships (IBP) was established as a public/private partnership between the private sector and the Government of Newfoundland and Labrador in 1997. The organization was established in response to the Signing of a Memorandum of Understanding (MOU) between the Government of Newfoundland and Labrador and the Government of Ireland in 1996. IBP has a mandate to identify, foster and promote trade and partnership opportunities in business, education and culture between Newfoundland and Ireland.

In 2005, Government moved IBP and the Executive Director position into government, within the Department of Innovation, Trade and Rural Development, increasing the profile of the initiative and adding resources through an increased budget and through providing access to departmental resources. An IBP Advisory Board, presently a Category Three entity under the Province's *Transparency and Accountability Act*, was appointed to provide strategic direction and policy advice to the Partnerships.

In 2006–07, the Board provided direction related to the development of the IBP's three-year strategic work plan and advocated the establishment of sub-committees in the key areas of education and research, oceans/business and cultural collaborations.

NEWFOUNDLAND HARDWOODS LIMITED

Newfoundland Hardwoods Limited is a Category Three entity under the Province's *Transparency and Accountability Act*. In 1995, the corporation was privatized and its assets were sold to two separate companies. Newfoundland Hardwoods Limited was inactive during the 2006–07 fiscal year but remained on the books to discharge any remaining obligations. An annual meeting was held by the Board of Directors to approve audited financial statements and to conduct other business as required.

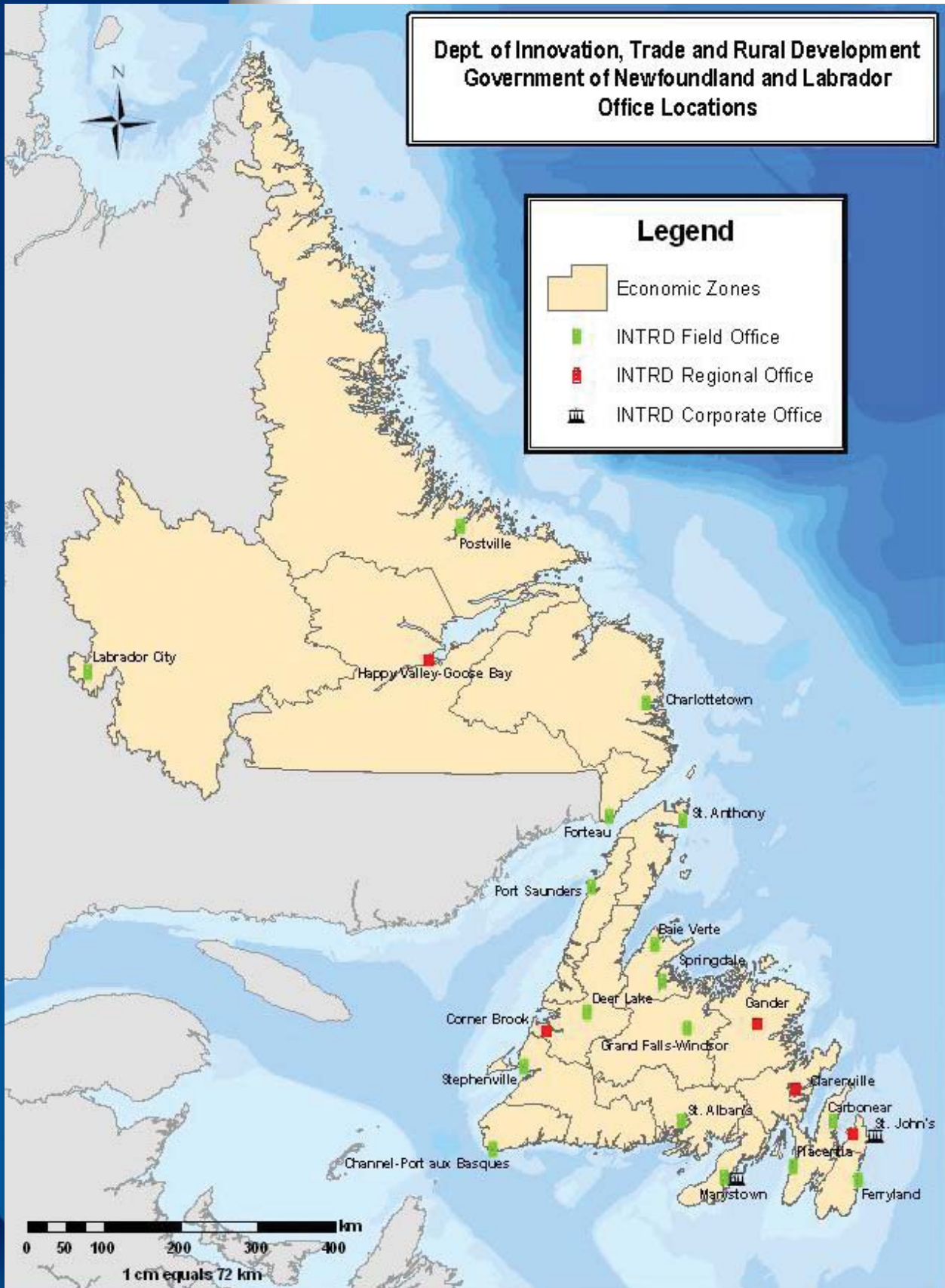
NEWFOUNDLAND OCEAN ENTERPRISES LIMITED/MARYSTOWN SHIPYARD LIMITED

Newfoundland Ocean Enterprises Limited/Marystown Shipyard Limited is a Category Three entity under the Province's *Transparency and Accountability Act*. Newfoundland Ocean Enterprises Limited (NOEL) was established in 1988 under the Corporations Act as the parent corporation of Marystown Shipyard Limited (MSL) and Vinland Industries Limited. MSL was established in 1966 to supply the province's fishing industry with new vessel construction and repair. Vinland Industries was established as a crown corporation in 1986 to commercially fabricate and service offshore oil and gas components.

NOEL operates as an arms-length Crown corporation. The Board of Directors is made up of senior civil servants reporting to the Minister of INTRD.

The two Crown corporations (NOEL and MSL) have not carried on active business since 1998 when MSL was sold to Friede Goldman Newfoundland Limited and resold, in 2002, by Friede Goldman to Peter Kiewit Sons Co. Limited. The corporations exist on the books to deal with any remaining issues. An annual meeting was held by the Board of Directors to approve the audited financial statements and to conduct other business as required.

APPENDIX C:
OFFICE LOCATIONS/CONTACT INFORMATION



GENERAL INQUIRIES

Department of Innovation, Trade and Rural Development
P.O. Box 8700, Confederation Building,
St. John's, Newfoundland and Labrador A1B 4J6
Telephone: 709.729.7000
Fax: 709.729.0654
E-mail: ITRDinfo@gov.nl.ca

CORPORATE OFFICE

Reception729.7000
Minister's Office729.4728

LABRADOR REGION

Charlottetown949.0378
Forteau931.2908
Happy Valley–Goose Bay896.2400
Labrador City944.4046
Postville479.9731

WESTERN REGION

Corner Brook637.2976
Deer Lake635.2613
Port aux Basques695.9871
Port Saunders861.3004/3096
St. Anthony454.3521/3508
Stephenville643.2600/1228

CENTRAL REGION

Baie Verte532.4772
Gander256.1480
Grand Falls–Windsor292.4450
St. Alban's538.3476/3796
Springdale673.3481

EASTERN REGION

Clareville466.4170
Marystown279.5531/5533

AVALON REGION

Carbonear596.4109/4116
Ferryland432.3019
Placentia227.1350
St. John's729.7017

WEBSITES

For more information about the
Department, its Strategic Plan and
programs and services, visit:
www.gov.nl.ca/intrd

OTHER DEPARTMENT SITES

The Ambassador
www.theambassador.ca

**Canada/Newfoundland and Labrador
Business Service Centre**
www.cbssc.org.nl

Capacity Building
www.cedresources.ca

Crafts of Character
www.craftsofcharacter.com

Getting the Message Out
www.gmo.nl.ca

Ireland Business Partnerships
www.ibp.nl.ca



Innovation, Trade and Rural Development