

CABINET DECISION DOCUMENT

MINISTER:

Honourable Rick Thorpe - Minister of Competition, Science and Enterprise.

IDENTIFIER NUMBER: 02/04

TITLE:

Decision to amend the Industrial Development Incentive Act to end future loans and investments.

ISSUE:

A decision to amend the Industrial Development Incentive Act (IDIA) to effectively terminate its further use for any new loans or investments by the Minister of Competition, Science and Enterprise.

RECOMMENDATION:

As a first step in government's commitment to end business subsidies, amend the Industrial Development Incentive Act to reduce the amount authorized for the Industrial Incentive Fund (IIF) by \$100 million.

BACKGROUND:

The IDIA was established in 1985. It is used to make loans and investments to establish or expand industry. It has been used to fund economic development projects and the activities of the Job Protection Commissioner. About \$497 million dollars have been approved for 73 projects from the fund. The majority of that funding has been approved in the last ten years.

The IIF is not a revolving fund, therefore over the past 16 years principal repayments totaling \$84.8 million and interest paid totaling \$15.3 million have been credited to the General Fund and have not been directly returned to the IIF. Increased funding for the IIF has been solely through legislated increases to the statutory appropriation authority provided by the IDIA.

The cap for the IDIA has been increased twelve times since 1985, increasing \$100 million in July 1999.

FISCAL MANAGEMENT CONSIDERATIONS:

The current loan portfolio has an estimated loss rate of 11%.

A decision to lower the cap of the fund will end future costs to government, and will not have any negative impact on current agreements or the repayment of the current portfolio.

OPTIONS/IMPLICATIONS:

Option 1: Leave the cap on the Industrial Development Incentive Act unchanged, providing opportunity for additional government loans and investments.

Option 2: Approve a minor legislative item amending the Industrial Development Incentive Act to reduce the amount authorized for the Industrial Incentive Fund (IIF) by \$100 million - effectively eliminating the \$100 million increase approved by the previous government on July, 15, 1999 with enactment of the Miscellaneous Statutes Amendment Act (No. 3), 1999. This would maintain current agreements, but prevent any future loans or investments by government using this fund.

MINISTER:

(Original signed)

Minister of Competition, Science
and Enterprise

