

On April 2, 2007, Ottawa announced a C\$900 million (US\$813 million) loan package for Canada's defense and aerospace industry (A&D). The C\$900 million (US\$813 million) will be disbursed over the next 5 years with a maximum funding of C\$225 million (US\$204 million) per year. The loan package is part of the new Strategic Aerospace and Defense Initiative (SADI), a repayable contribution program that will support new research and development initiatives in Canada's aerospace, defense, space and security industries. The program is structured as a loan rather than a subsidy to protect it against allegations of unfair competition from the World Trade Organization (WTO)

The Strategic Aerospace and Defense Initiative (SADI) main objectives are:

1. To encourage strategic research and development (R&D) that will result in innovation and excellence in new products and services;
2. To provide enhanced opportunities for the Canadian aerospace, defense, space and security (A&D) industries;
3. To foster collaboration between research institutes universities and colleges, non-profit organizations and the private sector.

In 2005, Canada's aerospace sector realized sales of C\$21.8 billion (US\$19.7 billion), exports of C\$18.5 billion (US\$16.7) and employed 75,000 people. A&D companies are Canada's third largest investor in research and development (R&D) representing 11 per cent of all industrial R&D in Canada.

Industry Canada's Industrial Technologies Office (ITO) will administer the SADI using high standards of transparency and accountability. The ITO will feature a clear assessment process to determine the size of the loan available to interested parties and a robust repayment structure. The program will require aerospace companies to invest three to four dollars of their own capital for every federal dollar received creating a risk sharing partnership between the Canadian government and the A&D industry. Companies, under this new initiative, will be given 15 years to reimburse the government. The repayment will start regardless of the success of the technology developed. In addition to the repayment of the initial loan, companies will also reimburse the government in amounts based on the revenue generated by new technologies they may develop as a result of receiving funds from the loan package. Contributions to SADI projects will equal approximately 30% of a project's total eligible costs. Companies that fail to honor their commitments will be publicly listed

Companies wishing to obtain a loan from SADI for their R&D projects will be reviewed through a rigorous process and must meet certain criteria. Criteria to be met include an assessment on the company's capability to achieve their stated objectives, benefits to existing or new technology, and social and economic benefits that will be derived from the R&D project. All project applications will be evaluated extensively to ascertain that they meet SADI requirements.

Strategic R&D projects under SADI will use technologies that:

- Support the development of next-generation A&D related products and/or services;
- Advance or build on existing Canadian strengths in A&D technology development;
- Enable Canadian companies to participate in major platforms and supply chains;
- Help assist the A&D industries in achieving Canada's international obligations.

The following are eligible projects that could obtain funding from SADI:

- Industrial research: Research aimed at discovering new knowledge with the objective that such knowledge will be useful in creating new products, new processes, or new services, or bringing significant improvement to existing products, processes or services.
- Pre-competitive development: The objective of translating industrial research findings and discoveries into a plan for new, modified, or improved products, processes, or services, intended for sale or use. Such pre-competitive development may include the discoveries of plans or designs of a prototype for further advancement in the design of products, processes, or services, as well as the initial development of potential pilot projects.

The government wants the industry to attract investment, develop new technologies and commercialize new ideas. Through encouraging research and development, SADI will accelerate innovation, keeping the entrepreneurial spirit alive in Canada's aerospace and defense (A&D) industry.

Opportunities for U.S. Companies

This loan package is expected to encourage new research and development projects and programs that will ultimately result in increased sourcing of U.S. product and services. The resultant expansion will create a demand for a variety of goods and services to support growth. The growth in the R&D sector will increase demand for a gamut of equipment and supplies related to the A&D industry including airplane equipment and parts, electronic equipment such as radar and lighting systems, equipment and supplies for prototype development, sensors, surveillance, computer systems, etc. U.S. companies wishing to take advantage of these new opportunities should stay abreast and have their representatives/agents stay abreast of these opportunities as they come on stream.

For More Information

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Information Sources for this IMI

Toronto Star
CBCnews
Industry Canada
Globe and Mail
Industrial Technologies Office

Exchange Rate used for conversion 1 CAD = 0.903091 USD (May 4, 2007)

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