

Automotive



Automobile Innovation Fund — Program Detail and Criteria

An Automotive Innovation Fund (AIF) has been established, providing \$250 million over five years to automotive firms in support of strategic, large-scale research and development projects in the automotive sector to support innovative, greener and more fuel-efficient vehicles.

Program Objectives

The objectives of the AIF are to:

- build automotive research and development (R&D) capacity in Canada and secure knowledge-based jobs;
- enhance the government's science and technology (S&T) and environmental agendas;
- support the development and/or implementation of innovative, fuel efficient technologies or processes;
- promote long-term economic benefit to Canada including significant job creation/retention;
- serve as catalyst for further private sector investments to foster Canadian competitiveness.

Eligible Recipients

Eligible Recipients are corporations incorporated pursuant to the laws of Canada carrying on business in Canada with proposals for private sector investments in Canada valued at more than \$300 million over five years, for vehicle or powertrain assembly operations associated with significant automotive innovation and R&D initiatives. Automotive innovation and R&D initiatives other than vehicle or powertrain assembly are also eligible provided they meet the \$300 million threshold.

Eligible Projects and Eligible Activities

Eligible Projects for funding under the AIF are those projects with a total private sector investment valued at more than \$300 million over five years and comprising Eligible Activities.

Eligible Activities mean significant automotive innovation and R&D initiatives to develop and build greener, more fuel efficient vehicles, inclusive of:

- new product development, e.g., advanced emissions technologies, energy efficient engines and transmissions, advanced materials, including engineered plastics, light weight components and materials;
- leading edge engineering and design, prototype development;
- advanced product testing with a view to ensuring cleaner, more efficient automotive performance and reduced green house gases;
- the development of new production methods and process technologies, including advanced flexible manufacturing techniques;
- new or expanded facilities to produce leading-edge and more energy efficient vehicles and powertrains;
- substantive investments in new flexible manufacturing processes; and
- introduction of other transformative new production technologies to substantially increase productivity and efficiency (e.g., robotics, advanced IT systems, etc.)

Eligible Projects must require government funding to meet the scope, location and timing of the proposed Eligible Project. Eligible Projects will typically have an implementation period of up to five years, though exceptions will be considered on a case-by-case basis.

Ineligible activities under the AIF are those that do not meet Program Objectives and may include:

- regular maintenance, normal operation costs, regular retooling of facilities;

- replacement technology without substantive improvement in productivity and energy efficiencies;
- restructuring, mergers and acquisitions with minimal contribution to Canada's economic and environmental objectives; and
- consolidation of traditional product lines without substantive new productive capacity or contribution to Canada's new fuel consumption objectives.

Eligible Costs

Eligible costs are those incurred by the recipient and which are necessary and reasonable to carry out the eligible activities to which they relate, as outlined in the project's Statement of Work. Eligible costs will be limited to non-recurring costs and will include labour, material, overhead, specialized equipment and other costs which are attributable to the project. The program will not support costs associated with land and buildings.

Stacking Provisions and Other Government Assistance

The assessment of the required level of assistance will take into consideration the total assistance from all levels of government (e.g., federal, provincial and municipal assistance). This includes assistance such as all Grants and Contributions being considered, implicit subsidies, forgivable loans, investment tax credits and any other grant or contribution.

All recipients of financial assistance will be required to disclose any other government (federal, provincial/territorial, municipal) financial assistance received or requested for the project prior to the approval of the contributions. Furthermore, the contribution agreements will contain a continuing disclosure obligation (for the duration of the agreements) concerning other government assistance.

Supporting documentation required from applicants

Applicants will be required to submit sufficient information to allow for assessment of applicants and project proposals against the criteria for the program. This could include:

Organizational Information

- A description of the Applicant (legal structure, ownership, management, business experience, financial statements for the years covered by the project, technical team, etc.);
- A demonstration of how the Applicant meets the eligibility criteria of the program;
- Assurance that the Applicant is in good standing with regard to all federal, provincial, territorial and municipal laws and regulations;
- Corporate documents such as articles of incorporation, corporate by-laws and related instruments);
- Affirmation that any person including any consultant or in-house lobbyist who lobbies on its behalf to obtain funding under AIF and who is required to be registered pursuant to the *Lobbyists Registration Act* is registered pursuant to that Act;
- Affirmation that the applicant has not and neither has any person on its behalf:
 1. engaged or employed any person for the purposes of obtaining AIF funding; or
 2. required any employee or official to solicit AIF funding; and paid, or agreed to pay, that person, employee or official a commission, contingency or success fee or any other consideration (whether monetary or otherwise) that is dependant upon the Applicant receiving AIF funding;
- Assurance that any former public servant, that derives benefit from the Contribution Agreement, will be in compliance with the *Values and Ethics Code for Public Servants*, and the *Conflict of Interest Act*;
- Assurance that any former public servant and company official, that derives benefit from the Contribution Agreement, will be in compliance with the *Lobbyist Registration Act*; and
- Assurance that no member of the House of Commons or Senate will benefit from the contribution.

Project Information

- Project proposal, workplan, and budget addressing the overall context/objectives and goals of the project, as well as major activity areas and key project performance milestones as well as the planned schedule of repayments;
- The forecasted total cost (eligible and ineligible costs) of the project, and details of financing;
- The amount of any federal, provincial, territorial or municipal assistance or tax credit, received or likely to be received for the project;

- The names of those officers responsible for the project, with details on the qualifications of the key individuals carrying out the proposed work;
- Details on how the project and the Applicant will meet the assessment criteria; and
- Information on all other funding applications made by the Applicant, including the organizations from which assistance was requested and the amount requested, as well as the outcome of the applications.

Assessment criteria

Applications for contributions under AIF will be assessed for their suitability for AIF funding in the context of their relevance to the objectives of AIF. AIF will establish reasonable but high standards for assessing Eligible Project proposals.

Overall, applications will be assessed in terms of the extent to which they demonstrate:

- that the project contributes to the strategic objectives of the government, including significant innovation, environmental and economic benefit to Canada;
- that the project is technologically feasible, and that the applicant possesses, or can reasonably be expected to secure, the requisite technological and managerial capabilities, and financial resources, to achieve the stated objectives of the project;
- that a contribution under AIF is necessary to ensure that the project (either individually or as part of a portfolio of related activities of the applicant) proceeds with the desired scope, timing or location; and
- that the contribution would be repaid.

Assessment Process

The proposals of applicants will be assessed by Industry Canada in accordance with a two-phase process.

Phase One

Eligible recipients will be required to demonstrate that proposed projects meet AIF objectives. Proposed projects will then be assessed for eligibility with respect to specified criteria that would include:

- Industrial Research, which refers to planned research or critical investigation aimed at discovery of new knowledge, with the objective that such knowledge may be useful in developing new products, processes and services, or in bringing about a significant improvement to existing products, processes or services, by a company in order to obtain competitive advantage through innovative, greener and more fuel-efficient vehicles;
- Pre-competitive Development, which refers to translation of industrial research findings into a plan, blueprint or design for new, modified or improved products, processes or services, whether intended for sale or use, including the creation of a first prototype that is not for commercial use. It may further include the conceptual formulation and design of products, processes or services and of initial demonstration or pilot projects; and
- Technology Adaption and Adoption, which refers to investments in production equipment or processes embodying next generation manufacturing technologies that improve productivity, competitiveness, environmental performance and contribute to sustainable industrial development.

Phase Two

Subject to meeting the above provisions, the detailed business case will be assessed by Industry Canada in accordance with the following program benefits:

Innovation Benefits

- nature and degree of strategic technology innovation and/or excellence that is new to Canada;
- feasibility of strategic activities leading to technological innovations in product, process or service applications;
- advancement of industrial know-how by adopting international best practices to Canada;
- extent and manner in which existing Canadian strengths and capabilities in automotive technology development can be strengthened;
- degree to which Canadian companies are enabled to participate more strategically in major automotive platforms and global value chains; and
- potential for managing technology spill-over and diffusion to deepen automotive supply chain capabilities.

Environmental Benefits

- sustainable reductions to air pollutants and greenhouse gas emissions, arising from either the use or manufacture of vehicles and their constituent parts and systems;
- contribution to new environmental technologies and objectives, including lightweight materials technologies and applications;
- impact on end-of-vehicle life recycling rates and costs; and
- estimated impact on levels of private sector investment in S&T related to the environment and human safety.

Economic Benefits

- nature of the opportunities provided to Canadians to contribute to a highly skilled and knowledge-based workforce;
- impact on productivity and competitiveness of Canadian firms for the benefit of all Canadians;
- contribution to achieving the goals of Canada's S&T Strategy, in particular: increasing the level and commitment of the private sector to undertake R&D in Canada; strengthening Canada's knowledge base and attracting to Canada international talent;
- impact on increasing the supply of highly qualified and globally connected workforce supporting businesses; and
- collaborative partnerships with post-secondary institutions or public research institutes.

Company Capability to Achieve the Stated Objectives

- financial resources, management expertise, business plan to achieve benefits;
- technical team's experience to conduct the project; and
- ability to repay the contribution.

Due Diligence

Each Eligible Project considered for funding under the AIF program will be subjected to a comprehensive due diligence process that may involve external experts that will examine the feasibility of the proposed Eligible Project and the Eligible Recipient's ability to deliver on the proposed technology, environmental and economic benefits of the Eligible Project. All Eligible Projects will be analysed to determine the relative technological, management and financial risk, as well as the likelihood of achieving the forecasted benefits.