

*Income Tax Act*

persuade companies to go into underdeveloped areas where there is surplus labour. One of the most effective ways by which this has been done in Sweden is that the government allows a corporation to take up to 46 per cent of its profits and deposit them in the Bank of Sweden. They can be withdrawn at any time, but if the corporation withdraws them it pays income tax on them and also pays a surcharge. If it is prepared to leave this money on deposit in the Bank of Sweden, on which it gets a return, it may spend that money any time the department of finance and the labour market board decide that additional investment is needed. The government retains the right to determine when and where that money will be spent for plant expansion or for the erection of new plant facilities. In this way the government has been able to control investment and to direct investment into areas which otherwise would be completely bypassed.

One of the things we have to recognize is that there is another reason for directing investment into underdeveloped areas. When a corporation goes into a crowded area and puts up a factory, workers have to be moved there, houses have to be built, schools, hospitals and other municipal facilities have to be constructed, and in many cases this means five to ten times as much social capital has to be invested to equate with the private capital which has been invested, whereas it may be that only a few miles away is another centre with surplus housing, surplus labour, and adequate community facilities. Therefore the idea of trying to attract industry by various forms of incentives and concessions makes a great deal of sense.

However, I hope the minister and his colleagues will take another look at the method which the government is proposing to use for attracting industry into underdeveloped areas. The formula which is being used as a criterion for determining designated areas is a mathematical monstrosity. I will not go into all the criticisms of it, but it seems to me it completely fails to assess what is the kind of area that requires this assistance. If one looks at the list of designated areas it is rather significant that with the exception of Blairmore, Alberta, there is not a single designated area west of the great lakes.

Now, does this mean that we are not going to direct investment into the prairies and British Columbia? Certainly the potential is there. We are facing a technological revolution in agriculture. Thousands of young men and women are being forced off the farms as the farms become larger and farm machinery is more extensively used. These

young people would normally gravitate to the towns and cities in western Canada to become part of industry.

However, under this method of designating areas these communities are completely overlooked. It seems to me that to use as a criterion unemployment from May to October over an eight year period is to overlook completely the age of the people in the community; how many young people are going out to seek jobs over the period of the next few years; the social capital invested in that area; the number of young people in the surrounding countryside who will in all probability move into an industrial area to live. It is a great mistake to leave these matters out of consideration.

I think this is probably one of the difficulties in having one department setting the criterion and another department evaluating and giving the tax concessions. I am sure that with a few months experience the Department of Finance will very quickly discover that this formula is not satisfactory at all. I am not quarreling about the places that are named as designated areas. I think most of them are areas that need immediate consideration. However, I hope the government will apply some more flexible formula for giving tax concessions to companies moving into areas that require industrial development or have employment problems.

I want to say that so far as we are concerned we are supporting this legislation. We support the legislation with reference to foreign control of our industries. We think it is weak, we think it may prove ineffective, but we welcome the fact that the government is at least moving in this direction. We think the experience will give the government the necessary courage to invoke much stronger measures.

With reference to the legislation to encourage corporations to go into underdeveloped areas, we welcome this legislation. We only hope the government will try to produce some more flexible formula so that it will have a wider and more general application.

[Translation]

**Mr. Caouette:** Mr. Chairman, I should like to make a few comments on Bill C-95, which contains a total of 30 pages and does not seem to be too well understood by most hon. members, no matter on which side of the house they sit. The bill is full of intricacies and ambiguities. In fact, I think that this is the most intricate bill hon. members have seen in a long time.

Anyhow, since the beginning of the discussion on this bill, we have heard suggestions and we understand that its purpose is to grant tax exemptions to certain new