

The Budget—Mr. Foster

assist small municipalities to instal sewage and water treatment plants.

Surely this \$17 million can only be classified as a windfall to a province such as Ontario with its vast resources. It could well afford to use these funds in areas which receive very little attention outside the golden horseshoe at the west end of Lake Ontario. I also know that the Department of Public Works will be spending approximately \$23 million on public works projects. This will be in addition to the \$60 million program announced by the minister last October. This is a good time to initiate these projects, when we have high unemployment and can save unemployment insurance benefits by giving men jobs.

I commend the Minister of Finance on his special provision of 115 per cent capital cost allowance for secondary and processing industries if they establish new facilities before the end of the 1971-72 fiscal year. This will be of special benefit in stimulating secondary industry. This, coupled with the Department of Regional Economic Expansion's incentive grants for secondary industry, which apply throughout northern Ontario, will be one more incentive for secondary industry to locate there.

Another good measure which the Minister of Finance announced was that the Department of Regional Economic Expansion bill, which I believe will be coming before the House this week, will provide a guarantee for loans to any company which has received a grant under the regional development incentives program. This will be especially useful because many industries which are able to raise 20 per cent equity and receive a government grant still have trouble raising additional capital funds. This guarantee by the federal government for a large percentage of the additional funds will mean that many projects can go forward which were not able to go forward in the past. I know one company which has been nearly a year lining up its line of credit. In the future this kind of financing will be guaranteed by the government, which will mean that projects can get off the ground faster.

I am disappointed that the special provisions outlined in the budget for the Department of Regional Economic Expansion did not include special assistance for utility services in areas where we are trying to stimulate secondary and processing industries. In my constituency of Algoma we have a great need for a natural gas pipeline to link Sault Ste. Marie with Sudbury. Although a study has been carried out by Trans-Canada Pipe Lines, the cost is so high at the present time it is not economically feasible to establish it. At the same time we are providing incentives in capital cost allowances and regional development loans to encourage secondary industries to locate in this area. Some industries, including a plywood mill, have been lost to the area because we do not have natural gas.

So we have the question of which came first, the chicken or the egg. In this case we cannot get certain

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types of secondary industry because we do not have natural gas available. At the same time we cannot get natural gas to these communities because there is not a sufficient market. Who can break this vicious cycle? In my view, only the government can break it. The Department of Regional Economic Expansion can break it by providing long-term loans or grants to transmission companies to establish a pipeline. Then as secondary industries comes into the area and decreases unemployment, there will be an increased use of gas not only by the secondary industries but by domestic users. In the end the utility company, with this increased demand, will be self-sufficient.

In the same vein, I believe that the Department of Regional Economic Expansion must take another look at its exclusion of the pulp and paper industry from incentive grants. This industry has been excluded from these grants both for new pulp and paper mills and for expansion of existing facilities, on the rationale that these plants will only locate where wood fibre exists. This is quite true as far as it goes. But let us look at the situation surrounding this industry during the last two or three years. In 1969 the Minister of Finance removed the tariffs which had been negotiated under the Kennedy Round on paper products coming into Canada, instead of there being a gradual phasing out as had been planned. Then last spring the Canadian dollar was revalued upward. This had a negative effect on the pulp and paper industry because it lost most of the 7½ per cent differential between the Canadian and the United States dollar.

Coupled with this is public demand for control of pollution from pulp and paper mills. I am not one to condone the pollution which has been caused by many pulp and paper mills in our country, but I believe that most mills are moving as rapidly as possible to overcome this problem, bearing in mind that the current market for pulp and paper is very soft.

The cost of anti-pollution equipment is tremendous and no special tariff provision has been provided to assist the pulp and paper industry. In many parts of northern Ontario the pulp and paper industry has long-term plans to expand its facilities and to build new plants, but with the current economic climate in North America for markets and the problems I have outlined, these plans are becoming further and further away from realization. I believe that if regional development grants were made available to this industry for expansion and modernization, many of these programs would go forward, creating many new jobs in these parts of the country.

It can be argued that secondary industry and processing industries are the best way of stimulating economic activity rather than basic industries. It seems to me we cannot attract enough secondary industries. However, I believe that thousands of new jobs would be created in northern Ontario if further consideration were given by the Minister of Finance and the Minister of Regional Economic Expansion to regional development grants to the pulp and paper industry.