

Income Tax Act

need for a much more skilled labour force and more technical education: the kind of thing which we at last in this country are becoming aware is so essential to industrial growth and prosperity.

The kind of tax incentives we are providing are really more generous than any I discovered in any other country. But, of course, I think this is essential in view of the fact that we do not have the other techniques, or we feel we cannot employ other techniques of assistance. We are not giving direct grants to industry. We are not giving direct loans to industry to settle in these areas. We do not have location of industry policies at the federal level, and therefore perhaps need to provide a bit more by way of tax incentives. There has been some suggestion that these tax incentives themselves will not really be sufficient to attract industry to the designated areas since during the first three years a new firm is not likely to make very many profits. However, as the minister and others pointed out, in fact a new firm is going to be pretty well tax free for somewhere around six years, because claims for accelerated depreciation can be deferred until after the so-called three year tax holiday, and therefore the firm will be able to pile up sufficient write-offs to avoid paying income tax for another three or four years. Therefore it seems to me that these are really very substantial incentives to industry.

There has been a great deal of talk—the hon. member for Pontiac-Temiscamingue (Mr. Martineau) mentioned this—to the effect that these incentives are discriminatory. The Minister of Industry (Mr. Drury) said the other day: “Of course they are discriminatory.” The whole purpose of these tax incentives to new industries going into designated areas is that they will go into certain areas. If they did not go into those areas but went into the Torontos of this world, our measures would not have any point. So they have to be in a sense discriminatory. You have to encourage industry to go to one place rather than another. I was amazed when the hon. member said that somehow it was interfering with free enterprise, as if the market was really working correctly and in a true free enterprise spirit. If it were, we would not need these measures at all, because there would not be any areas of chronic unemployment or slow growth. It is drawing a red herring across the trail to suggest that somehow by designating certain areas for industry we are interfering with a “free” market. What we are trying to do is to make for a more equitable society through a measure such as this.

As to the way in which the areas were chosen, this has also been criticized a good deal by hon. members opposite. I would not think there is anything absolutely rigid about the designation of areas. If experience shows that some other method of designating areas will be better I am sure it will be done. There is nothing immovable or unchangeable about the way it has been done. I might add that in Europe, in all the countries I have studied, the usual method of designating areas is to take account of the level of unemployment and the rate of economic growth over a period of time. The real issue in these other countries does not concern the criteria used but the question of how large these areas should be—should they be very large, a trading area for example, or should they be small. There are arguments on both sides. If an area is very small there could be an immediate and profound impact but, generally, it is thought an area should not be too small or there would be poor prospects of self-sustained growth in the future. On the other hand, an area should not be too large. If, for example, the whole of the maritime provinces were to be designated, the effect of differentials would be entirely lost.

The method adopted here seems to me to be a reasonably good way of designating areas, using statistics on unemployment and growth over a period of time.

Mr. Fisher: I wonder if the hon. lady will tell me where the growth figures are contained.

Miss Jewett: I would be glad to put one table on record in *Hansard*. As the hon. member rose I was about to say that one of the criteria used is employment changes during the years 1959-1962. The table I should like to put on record relates particularly to Brantford and to the five adjacent communities. When we take these figures for all the different national employment service areas of Canada we get a picture of what the economic growth of an area has been. For example, the economic growth of the Brantford area has been about one sixth of the national average over this number of years.

Mr. Deputy Speaker: Does the hon. member have permission to place this table on *Hansard*?

Some hon. Members: Agreed.

[*Editor's note: The table above referred to is as follows:*]