The 'great liberal dream' at the heart of DREE

by

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The REGIONAL DEVELOPMENT INCENTIVES ACT (17-18 Eliz. II, c.56) and its accompanying Regulations (P.C. 1969-1571) came into force 7 August, 1969, administered by the newly-created Department of Regional Economic Expansion (DREE) presently headed by the Hon Jean Marchand. DREE has been loudly trumpeted by the Trudeau government as the answer of its New (post-Centennial, techn cratic, urbanized, managerial) Canada to the doggedly persistent problem of regional economic disparity. It has been equally loudly attacked from a number of different standpoints for spreading 'socialism' and wasting taxpayers' money (like the Canada Council and CBC, other favourite targets of the Daily Gleaner and its ilk), for being Ottawa-based and Quebec-biased, for being too generous and lax in its safeguards, for not being generous enough, for being selective enough and for being too selective, in terms of industries assisted and areas designated for assistance.

This chorus of debate is productive of not much else than sheer confusion; simple, relevant questions as to what the program is doing, and how, [illegible]ot asked. (For one thing, [illegible]t answers to the real questions lead to dangerously uncomfortable conclusions about the economy as a whole.) Here is hardly the place for a full-scale discussion of the larger problem of regional economic variation in the national economies of the Western world, and the role of government intervention. Apart from the inherent complexity of this area, the various "reasons" that can be found for the persistent occurrence of economic dislocations such as areas of high unemployment, depend as much on how certain fundamental economic goals and yardsticks are used, as they do on analysis of apparent facts in a given situation. Which is how a good part of the confusion orginates. It is enough to note here that the problem, and the various "solutions" governments have come up with, are far from unique to Canada. British economists specializing in the problems of peripheral areas of that nation's economy (such as Scotland and Northern Ireland) conduct comparative studies of the Maritimes, and vice versa – both at an academic and a consultative level. The British government has been endeavouring for years to "develop" the Scottish Highlands, and more recently the now-depressed areas of formerly heavy-industrial concentration such as north-east England, with the same paraphenalia of tax cuts, free factories, special loans and depreciation allowances and, of course, floods of sheer hype that result in quite incredible idiocies such as the establishment of a furniture-polish factory in the middle of one of the most desolate moors in the country (it folded after eighteen months of subsidized existence). The "economic disparities" of a country like Italy might (almost) make one glad to return to the Maritimes.

DREE itself, of course, succeeds a number of other similar efforts, and differs from them largely in being centrally-administered, and thus tied into the official Trudeau ideology of a revitalized federalism. The complaints about Quebec bias are far from unfounded, as an examination of the distribution of DREE money shows. (The government is, however, further-sighted than some of its critics in this respect; it knows very well what it is about. If anything is going to keep Quebec in Confederation, buying off nationalist sentiment is a better bet than running off at the mouth about it, although it is likely to prove only a temporary remedy.)

The political motif is, of course, also present in the case of other regions. The first thing that the Regional Development Incentives Act does it to provide for the setting up by Order-in-Council (after consultation with the provinces concerned) of "designated regions" of a minimum area of 5,000 square miles. These are areas which are "determined to require special measures to facilitate economic expansion and social adjustment" – an interesting and revealing collocation of words, for those who have ears to hear. The criteria for such areas are that "existing opportunities for productive employment are exceptionally inadequate", and that development incentives "will make a significant contribution to economic expansion and social adjustment".

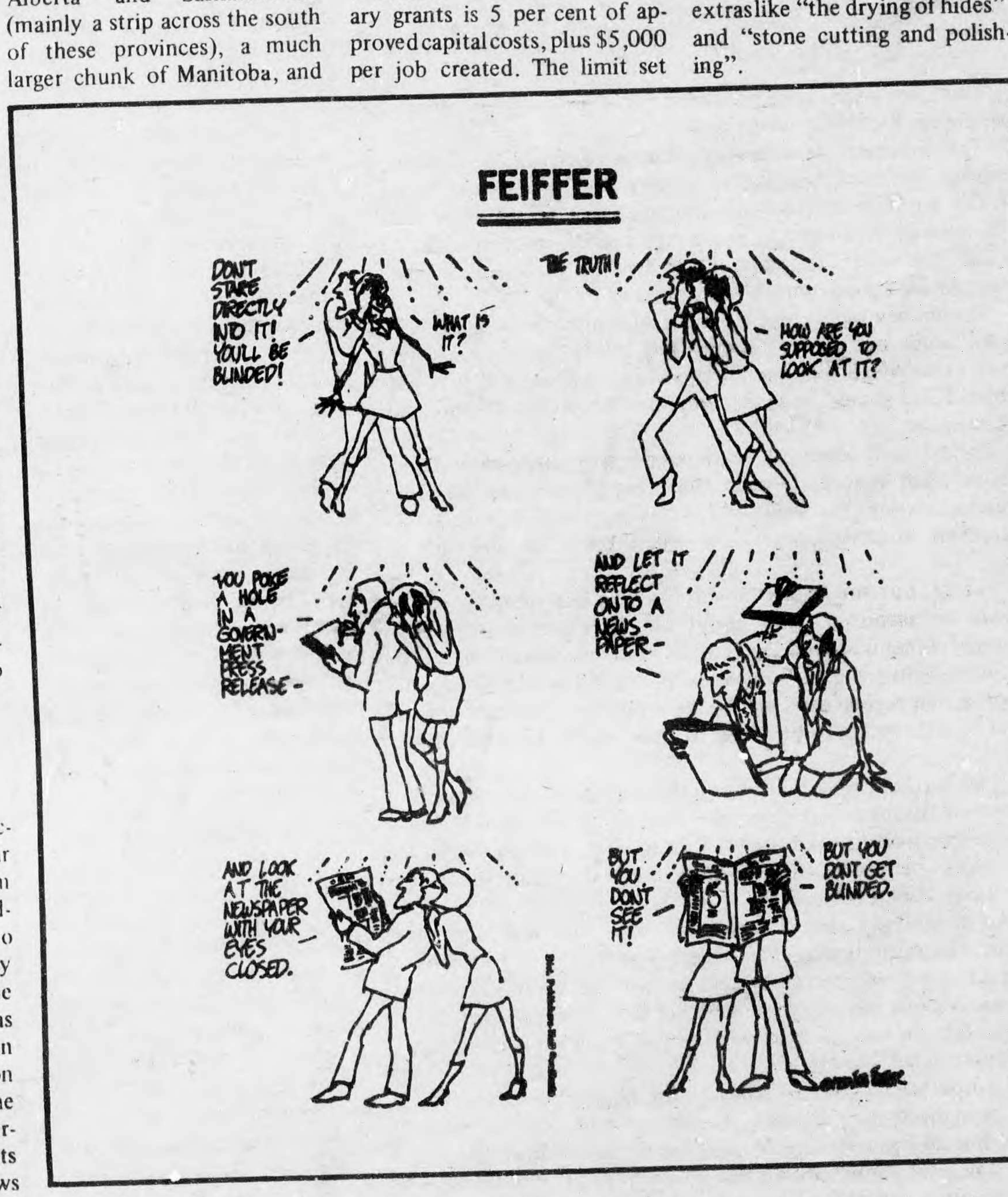
The distribution of areas which have been designated is also interesting: a swathe right across the country, running from Revelstoke, BC, and occupying a triangle in the south-east of that province, through Alberta and Saskatchewan (mainly a strip across the south of these provinces), a much larger chunk of Manitoba, and a vast solid area of northern Ontario and Quebec, stretching from around the 51st parallel down as far as a line running through Lake Nipissing, Ottawa and Trois Rivières. The whole of southern and eastern Quebec is also included, except for an area around Montreal; and the entirety of the Atlantic provinces. The whole of the so-called 'mid-Canada corridor' is included.

'DEVELOPMENT INCENTIVES': THE RULES OF THE GAME

DREE "development incentives" are essentially non-repayable cash grants given to a firm which is either starting up operations, establishing a new plant, or expanding or modernizing an existing plant within a designated area. A "primary incentive" is available to applicants selected as qualified, in all cases; a "secondary incentive" being payable in addition in the case of a new operation, or the expansion or conversion of an existing one to produce something not previously produced. That is, a secondary incentive is not available simply for the expansion of an existing plant, without any change in product.

Primary grants have a ceiling of 20 per cent of approved capital (fixed asset) costs, up to 6 million. The limit on secondary grants is 5 per cent of approved capital costs, plus $5,000 per job created. The limit set to the combined grant (primary and secondary) is $30,000 per job or 50 per cent of capital costs, up to $12 million in either case. There is a lower limit also; the project must involve a total capital cost of at least $30,000 (in the case of qualification for a primary incentive), or $60,000 (in the case of eligibility for a secondary incentive). (These limits, however, are set by the Regulations, and like all else therein, are alterable or variable by simple Order-in-Council; the maximum limits are defined by the Act, i.e. by Parliament. In practice, it would appear that the Department is, understandably, more enthused about larger projects.)

The Act allows for the granting of incentives to any "manufacturing or processing operation" – a very broad term, from which, however, the Regulations exclude a specific list of industries as inelibigle for grants. "The growing, catching or harvesting of any natural or cultivated product of nature" (which takes in farming, primary forest-based industries and would-be cannabis barons); extraction of minerals by any method (including, specifically mentioned, salt and potash); energy production; fertilizer and feed-stuff preparation; nearly all distribution and service industry (specifically mentioned are publishing, transportation, construction and repair); mobile manufacturing and processing operations – and some odd extras like "the drying of hides" and "stone cutting and polishing".



The criteria set out for the selection of otherwise eligible businesses, are fairly general. The contribution they are considered likely to make to "economic expansion and social adjustment" in the given region is a basic premise of the Act, previously mentioned; the only other criterion of significance is one aimed at pollution control –, but phrased in a wonderfully ambiguous way. What is to be taken into account in determining the granting or amount of the incentive is "the cost of preventing or eliminating any significant pollution". What this presumably could mean is that the applicant simply adds on to his budget of eligible capital costs, the cost