

*Income Tax Act*

or another for specific aid to industry to get this kind of development. Certainly this has been the experience in southern Italy, and other nations as well.

In France too there has been a great emphasis on regional development and on trying to induce industry in areas where industry is most needed. Indeed, the whole of the last French plan was devoted to the regional aspect of economic development. The French government also makes grants up to about 20 per cent of the total investment costs borne by an enterprise if it goes into certain designated areas. It makes generous loans and a number of tax concessions for area development, reductions of income tax, accelerated depreciation, and so on, much as we are doing. Similarly, as in England there is a withholding of licences so as to guide industry into certain areas.

In northern Ireland perhaps the biggest steps have been taken. Grants may amount to as much as 33½ per cent of the cost of factory construction if an enterprise will go into certain areas of the country. Other grants are made toward machinery and equipment costs. In Belgium the emphasis is on low-interest loans. The government there subsidizes a private lending institution so that loans can be secured at only 1 per cent for firms going into certain designated areas. Belgium emphasizes tax exemptions too. It may be interesting to note—and this relates to what we are doing here—that in Belgium they are granting 30 per cent of the profits earned by a firm during the first three years. Only 30 per cent and they think that is terrific. In Belgium they allow tax exemptions on 30 per cent of the profits earned in the first three years in a development area.

The proposal we are putting forth is that you get a complete tax holiday during the first three years. The Belgium government also does other things. It purchases or builds factories and rents or sells them at reasonable prices. In Sweden, the Netherlands and other countries similar things happen. Even in the United States, with its area development act which finally became law in 1961, efforts are made to encourage industry to go into designated areas. So that a very great variety of tools have been used. Direct grants to industry are perhaps the most effective of all the different tools which can be used to encourage industry to go into certain places, and practically all the western European countries use the direct grants technique. But although this may be the most effective it is not one perhaps which we are ready for in this country. Personally I think it will come,

[Miss Jewett.]

and may well have to come, at the federal level if we are going to try to achieve national objectives. However, as I have suggested, the tax concession technique has been used by most of these countries—Britain, France, Belgium, Ireland, and so on—and I think the general consensus on reading the literature on this question is that this is an effective device for encouraging industry to go where you want it to go. It is more indirect and it is perhaps a little more cumbersome than the grants system, but it has been fairly effective.

Taking the measures as a whole I might say a word about their success in some of these countries. Great Britain has, of course, been learning the most about these measures, because it has had them for the longest time. Indeed, they started with them back in the thirties, although they did not become really effective until the post world war II period. Between 1946 and 1957 the relative severity of unemployment in the development areas compared with the rest of Great Britain fell from nearly two and a half times to somewhat more than one and a half times, so this has been moderately successful. This amounted to an expenditure of about £90 million. However, I think most economists would argue that the cost, as an annual equivalent, of direct assistance to industry for a new job has usually been much less than the cost of unemployment pay. In northern Ireland, which has had a particularly vigorous program in this area, it is estimated that about 38,000 jobs have been provided by relocation of industry measures. In terms of northern Ireland's economy that is generally considered a relatively successful program.

The most interesting study I came across when I got interested in this whole field was the report of the joint working party on the economy of northern Ireland which came out a year ago. I think that any member who is interested in this whole problem should read this report. It is not entirely sanguine that the incentives we are discussing can ever be entirely successful, and it concludes that many other measures are also necessary. It is suggested that they will have to focus on the movement of labour out of certain areas. There are certain areas where it is just not economically feasible, nor even indeed socially feasible, to encourage industry and new plants to locate. So in the conclusions of this report they do not go entirely all-out for techniques such as we are discussing; they also suggest that the government should continue to pay attention to the relocation of labour, and they place great emphasis on the