

according to the profit position of the company. In general, it was an important additional attraction to expansions by some established companies but it was of much less value to new ventures. In other words, it tended to help most those who least needed help, and we propose to drop it in favour of stronger incentives that will be more efficient for their purpose.

For the same reason, we propose to exclude from the new program some of the kinds of initial processing operations that are very directly related to the source of raw materials and for which a locational incentive can therefore be wasteful. This does not mean that the government is ruling out assistance to primary industries and the initial processing associated with them. Under the general powers of the legislation establishing my department, we can give incentives for any kind of commercial operation when it is required for a successful development plan for a special area.

[Translation]

However, Mr. Speaker, the new incentives legislation is conceived in such a way as to affect the regional localization of secondary industries which do not directly depend on special resources.

Large industries in the primary sector may sometimes need assistance in slow-growth regions, but it is more logical to treat them as particular cases than to bring them automatically under the act.

With regard to another very important aspect, we are contemplating the extension of the new program in relation to ADA. The highest subsidy can reach 20 per cent of the capital costs and can be used not only for the development of existing industries but also for their modernization. Even if modernization does not normally create new jobs it may be necessary to maintain the employment level. Under the proposed legislation, modernization schemes will be eligible for assistance as are development projects solely designed to increase existing production.

The bill introduced today is substantially different from the present ADA policy on several important aspects. The incentives provided will in no way be granted automatically.

The legislation establishes a formula which determines the maximum amount which may be granted for a given project. But this amount may not be granted if the business is unable to prove that it needs the whole

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amount of the incentive either to set up a new branch, or to enlarge or modernize its existing facilities. All the factors enabling us to determine to what extent the new venture will benefit the area will also have to be taken into consideration.

Our judgment, of course, will not be based on any restrictive viewpoint. As a matter of fact, the over-all purpose of the legislation is precisely to develop more job opportunities and to encourage new forms of operations in underdeveloped areas. However, it provides for preventive measures to ensure that the taxpayers's money will not be wasted in order to promote a particular form of development.

Another point worth mentioning in the legislation concerns the areas eligible for grants. The "designated areas" of the ADA program have become "designated regions". In other words, the discrepancies of the Area Development Act will be done away with. Incentives under the new program will have more stringent effects since the designation of any relatively small areas would bring about serious anomalies with neighbouring areas.

Therefore, except for the particular case of Prince Edward Island, the legislation provides that a designated region must extend at least over 10,000 square miles. The reason behind this choice is that it represents an area 100 miles square, so that the centre is located about fifty miles from the boundary. The ease with which one travels today thus makes readily available to the residents of an area of that size the job opportunities within such an area.

The designation of those regions will not be made according to rigid statistical criteria. It will have to be proven that job opportunities are exceptionally inadequate. That can be assumed either by the rate of unemployment, or the low rate of growth, which is reflected by constant displacements. It will also be necessary to have good reasons to believe that the incentives which can be provided are designed to encourage the economic development of the area.

If these conditions are met, consultations will take place with the province in respect of the designation of regions. Obviously, if these consultations are to mean anything, we will have to give up the rigidity of statistics as the only criteria for designation. We hope to use good common sense as well as statistics.

I can say that informal preliminary consultations have already taken place with the provinces. Of course, no final decision will be