

The Budget—Mr. McGrath

received by the government and by all members of the House on behalf of the old age pensioners were characterized by dignity, by respect for the institution of government and by a recognition that there were other needs in this country that also had to be considered. But nevertheless, the claims of the old age pensioners were very real and very deserving of consideration.

I think one should congratulate the old age pensioners for the way in which they made their case, and we should congratulate the government for responding not only to crisis and confrontation but to dignified demands put forward in a constructive way like those from the old age pensioners. I see my time has elapsed, Mr. Speaker, and I conclude.

Mr. James A. McGrath (St. John's East): Mr. Speaker, in the few minutes at my disposal I would like to refer to what I consider to be one of the most serious omissions from the budget, namely, any reference to the government's regional economic expansion policy or, indeed, to the effect that the present budget will have on that policy. I have already raised this matter in questions in the House to the Minister of Regional Economic Expansion (Mr. Marchand) and to the Minister of Finance (Mr. Turner). The subject was also raised in the regional development committee by the Atlantic Provinces Economic Council when they appeared before that committee in the course of examination of departmental estimates a few days ago.

Unlike the accelerated provisions in the present budget, it is interesting to note that in the Gordon budget of 1963 similar capital cost allowances were introduced, but they were for designated regions. Referring to these capital cost allowances, Mr. Gordon said, as recorded at page 980 of *Hansard* in March, 1964:

They are of special importance because it is here that the greatest need for continued encouragement appears to lie.

He went on to say:

It will take time, however, for areas that have lagged behind the general rate of expansion to attract the new enterprises that are expected to result from these tax inducements.

Accordingly, Mr. Gordon, in the course of that budget extended these provisions until April 1, 1967. Compare that with the present write-offs for equipment and machinery. They apply right across the country. They apply on a national basis. Consequently, we are disturbed over the effect this could have on the government's regional economic expansion policies as they apply to the designated regions. I believe, and I hope I can be proven wrong, that this could result and probably will result in reducing the attractiveness of the Regional Development Incentives Act which is the main thrust of the government's regional economic expansion policies.

Under ADIA, which was the forerunner of the Regional Development Incentives Act, assets purchased under these grants were fully depreciable at accelerated rates. The Atlantic Provinces Economic Council has said, and I share this view, that the present RDIA with respect to the write-off provisions of the present budget, should in fact operate in the same way.

[Mr. Kaplan.]

• (2130)

It is very interesting to note, Mr. Speaker, that APEC indicated that the present forecast of investment in the Atlantic provinces for this year will be down by 23 per cent. APEC on May 9 emphasized the importance of reviewing the procedures under the new provisions to ensure that this does not happen, to ensure that RDIA incentives are not diluted by the provisions of this budget.

I was very disturbed in the course of my questions to the Minister of Regional Economic Expansion (Mr. Marchand) because his answers on this very important subject seemed to indicate that he did not know much about it except that he had been present in cabinet when the budget had been discussed. This confirms a disturbing aspect of the government's regional development policy, a lack of consultation. There does not seem to have been any consultation between the Minister of Finance (Mr. Turner) and the Minister of Regional Economic Expansion before this write-off provision was incorporated in the present budget.

From time to time it was recommended that co-ordination is an essential feature if economic expansion and regional expansion policies of the government are to succeed. Mr. Speaker, the Atlantic Development Council in its first report recommended that there should be co-ordination especially in the area of the government's economic and fiscal policies. The budgetary provision which is designed to accelerate growth in manufacturing across the country could have the serious effect of diluting and weakening DREE grants and their effect on stimulating growth and employment in developing regions. For example, for firms in a 50 per cent corporate income tax category the real incentive value of an RDIA grant has been reduced by approximately 40 per cent in the first two years of operation of new equipment. This could be reduced more if you want to take interest into account.

The reason for this reduction, in relative attractiveness of designated areas to new investment, is that the portion of capital costs covered by RDIA grants is not depreciable for tax calculations. The remedy would be to allow faster write-offs for firms receiving a DREE grant or, more simply, to allow the full value of new capital investment to be used in depreciation allowances.

In relationship to the national average, I think it is worth mentioning unemployment. This has been referred to before in this debate but I think it bears repetition. Unemployment in the Atlantic region continues to be disproportionately and unacceptably high. Taking into account, for example, the peak unemployment month of January and February, unemployment in the Atlantic provinces for the last ten years has never gone below 9 per cent. For the last five years, when the government's regional development policies were supposed to have been operative, it has hovered around 10 per cent; this despite substantial DREE expenditures in the region on infrastructure and on incentive grants. Clearly, the government's regional development program is not working, certainly not in the Atlantic provinces.

The latest figures indicate that while the number of jobless remains unacceptably and disproportionately high, there is no appreciable change in the job situation. In other words, unemployment continues to rise while the