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NEW NORTHERN LOAN FUND

Northern Affairs Minister Laing recently announced that the Government would recommend to the House of Commons the adoption of a new incentive for furthering the development of mineral resources in the North. This new incentive would be in the form of a loan fund to aid Canadian companies and individuals exploring for oil, gas and other minerals. Mr. Laing explained that the new fund was designed not only as an aid to expanding the economy of the North but to encourage the participation of Canadians in the development of their own natural resources, thereby helping to increase the proportion of Canadian ownership in these resources.

Unless positive action was taken to expand the northern economy without delay, Mr. Laing stated, this region was likely to remain for many years a deficit area dependent on extensive subsidization by the rest of the country. Petroleum and mining exploratory activity in the Yukon and Northwest Territories was at a satisfactory level in a few selected areas but in most regions it was far below desirable levels.

PROFITS MUST BALANCE RISKS

The best prospects of economic improvement in the North were considered to be through the development of its natural resources, particularly the non-renewable mineral resources, Mr. Laing went on. These were high-risk industries and required huge investments before any return could be obtained. Thus, private capital would be forthcoming only when the chances of making a profit appeared to be commensurate with the risks to be undertaken. The North must compete for exploration and development dollars with the rest of the world.

Mr. Laing pointed out that loans from the fund to Canadian companies and individuals would not duplicate the present incentive for exploration provided under the Income Tax Act, whereby a company within a specified class is entitled to deduct exploration costs from general income, regardless of source, for the purpose of determining taxable income. The Loan Fund is designed to widen the base of investment in exploration in the North by encouraging investment from additional Canadian sources hitherto not attracted to this purpose by providing an incentive roughly equivalent to the Income Tax Act incentive.

CONDITION FOR LOANS

The total amount of the loan fund will be limited initially to \$3 million a year, with possible increases in succeeding years depending on the total result of its application. Mr. Laing emphasized that an exploration programme would require approval in advance in order to qualify for a loan and that, even with prior approval, a loan would not be payable until after satisfactory exploratory expenditures had been made and approved in detail. A loan would not in any instance exceed 40 per cent of the approved expenditures. In order to qualify, an exploration programme would have to be of sufficient scope. For example, in the case of petroleum, an exploration programme must include the drilling of at least one well and, in the case of mining, a reasonable number of diamond-drill or equivalent holes must be involved. Repayment of a loan would be required only should the exploratory programme prove to be successful and a mineral be discovered in commercial quantities. Should the programme be unsuccessful, repayment, including interest, would not be necessary.