time and referred to the standing committee on regional development.

The Acting Speaker (Mr. Richard): Is it the pleasure of the house to adopt the said motion?

• (2:20 p.m.)

[English]

Mr. MacLean: On a point of order, Mr. Speaker, I believe you said the motion was moved by the Minister of Regional Economic Expansion (Mr. Marchand), who is not present at the moment.

An hon. Member: He is coming.

Mr. MacLean: Perhaps we could delay proceeding for a moment, Mr. Speaker.

Hon. Jean Marchand (Minister of Regional Economic Expansion): Mr. Speaker, I believe that this is very important legislation. It is one of the major steps toward the government's objective of overcoming the disparities in economic and social development between regions of Canada. The essence of the legislation is that it provides a very powerful incentive to companies to increase employment in the slow growth regions of Canada. I hope, indeed, to be able to make it so effective that it will, in the course of the next few years, do a great deal to eliminate the term "slow growth" from substantial parts of Canada.

The new incentives that the bill proposes to provide are for firms undertaking new activities. That means either starting new plants or changing existing plants to make additional products that the plant cannot at present produce. The maximum scale of the incentives will be 25 per cent of the capital costs plus $5,000 for each job created in the new plant or in the expansion to produce new products. In order to compare that with the existing ADA program, I should say that nowadays the average capital costs of industries per job created are about $25,000. In other words, the employment related part of the incentive can in the average case be about 20 per cent of the capital costs, which would make the total incentive 45 per cent of capital costs. This compares with 20 per cent as the standard rate under the present ADA program. Whereas the ceiling under that program is $5 million, the bill provides for a maximum of $12 million.

A clearer way of expressing the purpose of the program, however, is to measure the whole incentive in terms of the jobs created. In an industry using an average amount of capital, we will be prepared to provide an incentive of up to $12,000 for each new job created. If the industry is one that uses a lot of capital, we will go as high as $30,000 per job. I should make it plain that while the incentive will now be related to the employment created as well as to the amount of the investment, the proposed program is, just as much as ADA has been, a program of capital incentives. It does not provide for any continuing subsidy. It is a once and for all incentive to companies to start new production where the employment is most needed.

The advantage of this kind of incentive is that it means the company can make a careful calculation as to where its prospects will be best. It can balance any higher operating costs, such as for transport, or any other disadvantages of locating in the slow growth region, against the reduction in capital costs that the federal incentive provides. In that way we give industry the chance to use this program to establish viable enterprises which will be of long term benefit.

With the size of incentive proposed in this legislation, I believe that a considerable number of companies will find it economic to locate in the slow growth regions. As that begins to happen, of course the operating disadvantages of a location in, say, the maritimes will begin to decline. That is because for many industries the main disadvantage is that there are not many other industries. In other words, the difficult thing is to get the growth process started. Once it is started at the best industrial locations in the region, it gets a momentum of its own and the need for incentives gradually diminishes. That is what we are going to try to achieve.

Accordingly, the proposed improvement of incentives applies to new plants and expansions that broaden a plant's production. Those are the purposes of what the legislation calls secondary incentives. The improvement will not apply to expansions that involve only the production of more of the same thing. For that purpose, the maximum incentive will continue to be 20 per cent of capital costs, the same basic rate as the ADA program.

The comparison is a bit more complicated than that, for a number of reasons. We will be dropping the deductibility provision that formerly made the effective rate for expansions less than 20 per cent. On the other hand, companies will not be entitled, in addition to the grant, to special capital cost allowances for tax purposes. The value of that tax provision has varied greatly, of course,