

*The Budget—Mr. Lumley*

have been identified as, for example, in the areas of encouragement of innovation, productivity improvement, and marketing, areas of highest priority for the federal Government, as the Minister of Finance stated in his budget speech.

I am today announcing a new program, the Industrial and Regional Development Program, to be my Department's major instrument to achieve these goals. The program will be available to Canadian industry in all regions of Canada. Through the Industrial and Regional Development Program, the Department will actively assist the private sector as we move to strengthen our industrial base.

The new Industrial and Regional Development Program will offer industrial development support across the country. There will be four ranges of support. These will be graduated according to economic need, with the neediest regions eligible for the highest levels of support.

The basic level of support will be available to firms anywhere in Canada. More generous incentives will be available at the second and third levels, based on economic need. A fourth tier, comprising the most disadvantaged 5 per cent of Canada's population, would automatically receive the maximum level of assistance for eligible projects.

In order to develop which areas are at which level, I will propose to Parliament a development index. We have searched to find an index which is fair, equitable and objective. The index will take three major factors into account; level of unemployment, disposable income and the fiscal capacity of the Province. Obviously, we will have to weigh these factors as they are not all of equal importance. I want to thank members of the private sector from across the country with whom we have had substantial discussions in trying to develop this index.

We have carefully examined what was in place in both the Industry, Trade and Commerce and Regional Economic Expansion. With that as a starting point, we designed a Department with the best features of both. But in my view, that was not enough. The new Department of Regional Industrial Expansion goes considerably beyond simply merging these two Departments.

Our first imperative was to make the process of delivering federal assistance much simpler and more flexible. Over time we ended up with too many programs that were too complicated. As a consequence businesses, particularly small and medium-sized firms, were often confused as to what we were offering and how to obtain it. Further, it was almost impossible to deliver these programs on a regional basis because of this complexity.

Rather than the multiplicity of programs that were in ITC and DREE, the new Department of DRIE will focus on seven major programs, the principal one being the Industrial and Regional Development Program which will be flexible and efficient. It is designed to meet the needs of the private sector and to direct federal resources to where they will achieve our goal of industrial and regional development.

The program will be much simpler for the business community; it will have one set of criteria and one method of application. It will also be applicable to all stages of a firm's development and again it will be available in every region of the country.

The program has six main elements. The first is industrial infrastructure such as industrial parks. Another example would be federal support to institutions such as technology centres.

The second element is industrial innovation. I believe this to be a critical area for Canada's economic well-being. Eligible for assistance in this phase will be, among others, the development of technological capability, the development of new products and processes, and project feasibility studies.

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Once products have completed the development stage, it is necessary, of course, to actually go into production. In some cases this requires the building of a plant and the purchase of equipment. For this reason we have made provision to assist with establishment in all areas except those in the most developed regions.

A fourth phase, one that offers significant opportunities, is modernization expansion. There are a number of elements that fit within this category, but one to be stressed is the building of new technologies into our existing products and processes to increase our competitiveness. This will be achieved by acquiring the most advanced machinery, equipment and plants. As I am sure we all agree, we must do more than develop new products to compete in the world markets. It is just as critical that we adapt new technologies to our traditional industries.

This leads me to another element in the process, that of marketing. My experience as Minister of Trade made it abundantly clear that we have to devote more effort in this area if we are to hold and maintain our markets. And I must emphasize that the potential for Canadian firms to replace imports here in Canada is just as important as increasing exports.

In our examination of what was available in the Departments, I have found that marketing has not received the attention it warranted. We have not paid sufficient attention to the marketing of our products, particularly here in Canada. Programs such as a more comprehensive shop Canadian program are being developed by my officials in conjunction with the private sector.

The final phase of our program is renewal. The Government recognizes that some industries must undergo a process of restructuring. We also realize that those who suffer the most in these instances are the workers. To facilitate the process, the Government is prepared in specific instances to offer loan guarantees to assist companies in the short-term assuring, of course, that with restructuring there is a reasonable chance that the firm can become viable.

In some cases a firm's long-term viability is in doubt if it remains as it is structured. In those instances, the Government will consider repayable grants to assist the company to diversify to create alternate employment.