Regional Development Incentives Act

Development Incentives Act, be read the second time and referred to the Standing Committee on Regional Development.

He said: Mr. Speaker, the purpose of the legislation before us is to increase employment by broadening and strengthening our industrial development incentives.

There are two main proposals. One is to introduce a system of loan guarantees to operate in conjunction with incentive grants. The other is to provide a special incentive on a short-term basis, designed to give a particular stimulus to get new industrial projects moving in the next year or two.

The loan guarantees will become a full and permanent part of the program, that is to say, they will be available as long as the legislation is in force and in all of the designated regions. I hope and expect that they will develop into a significant instrument of economic expansion policy.

[*Translation*]

Several small businesses complain because they are unable to borrow at reasonable terms, even when their plans are good, but we are ready to help them. We want to test a new kind of assistance. When the carrying out of a project requires more funds then can be borrowed at reasonable terms, we will be in a position to guarantee that part of the loan exceeding the amount a bank or any other lender would normally have granted.

In general, large businesses can quite easily borrow if need be. It is not so for small businesses, especially in depressed areas of the country. We are ready to take certain risks to help small Canadian businesses establish themselves where there is a more urgent need of employment.

The ceiling of the loan will be 80 per cent of the total of the fixed investments made by the company, following deduction of any development grant or any kind of assistance from any public power. As long as the loan does not exceed that limit, we will be ready to guarantee part of it.

Service industries as well as manufacturing and processing plants may take advantage of that guarantee. In areas where expnsion is slow, service industries may not have the same difficulties as manufacturing or processing industries, but they still have problems getting capital.

Of course we could not guarantee all loans incurred by a multiplicity of small businesses or motels in designated areas. We will now be required by the act to define the areas where the establishment or large commercial concerns can contribute considerably to the economic expansion of slow growth areas. For instance, this could mean administration buildings, stores, convention centres and hotels.

[*English*]

In short, the bill's provisions for loan guarantees will both increase the scope of our encouragement to development and make it more effective. In manufacturing, that will be especially true for small and new enterprises that have great difficulty in getting money for projects that big companies finance easily out of their own resources.

The loan guarantees may also be especially helpful to existing plants that need to modernize or go out of business. Often, the biggest part of the expense in such cases is not so much the new equipment as the cost of re-organizing the existing plant and operations. Borrowing money in such situations can be particularly difficult. There may be an especially large role for the guarantees in helping plants to re-organize and modernize and thereby preserving jobs that would otherwise be lost.

I would like to refer at this point to the criticisms made by some people, who usually come from the regions of comparatively fast economic growth, because we provide incentives to foreign controlled companies. These critics should be reminded that we do not provide incentives in order to be nice to any company, whoever owns it. We provide incentives for the sake of the people who will get employment or, in the case of a modernization, whose jobs will be made more secure.

Whether we should have any different policy towards foreign controlled corporations is an important national issue—but it is a national issue. If we want to make changes in policy we must make them in all parts of Canada. We can, if we like, have new rules that apply wherever a plant is located. But that would not alter the importance of encouraging industry in the regions where extra jobs are especially important. That encouragement should be given in the same way to all projects in the slow-growth regions; any rules or policies about ownership and control should be national in application. In other words, if some hon. members want to attack foreign corporations, that is an issue to discuss on its merits. But it should not be used as an excuse for attacking regional policy. However our industry is controlled, there is and will be just the same reason to give it special encouragement where people have the greatest need for it.

I turn now to the second main proposal of this bill, which is designed to give particular encouragement to industry to get ahead with investments in the next year or two. The plants will have to be built and be in production by the end of 1973. The special development incentive proposed in these cases will be a maximum of 10 per cent of capital costs in the case of expansions and modernizations of existing plants. For new plants or for expansions to produce new products, the maximum will be 10 per cent of capital costs plus $2,000 per job.

In the Atlantic provinces, the special incentive will be available in addition to the present incentive. The maximum will, therefore, become 30 per cent of capital costs for expansions and modernizations, and for new plants the maximum will be 35 per cent of capital costs plus $7,000 per job.

[*Translation*]

In the already designated areas of Quebec, Ontario and the four western provinces, the grants will remain unchanged.

Immediately after Parliament will have approved those measures, we intend to designate a new area covering all