

country while thwarting development initiatives in the have-not areas. Even the government of Ontario—Ontario being the industrial heartland of Canada—has recognized the difficulties, the discrimination and bias of our tariffs and publicly stated as recently as its most recent budget that there will be a gradual phase-out and change with respect to the situation concerning tariffs.

By 1974 the people of Atlantic Canada were losing, on balance, \$178,516,000 annually, as a result of our tariff system, to other provinces. To put that amount into perspective, it is just under the total combined DREE budget for the four Atlantic provinces in 1975-76 or 2½ times DREE spending under RDIA in the region since the program began in 1969. Our tariff structures are truly a system of "loser pay" as far as the Atlantic region is concerned.

However, perhaps no single act better reflected the insensitivity to regional needs of the Minister of Finance than his latest budget. It was an inadequate, almost insulting response to the short-term job needs of Quebec and Atlantic Canada, with its 600,000 man-months or 18½ days of work during the next year for each unemployed Canadian. The budget was, quite frankly, a message of despair for millions of Canadians. It has been common knowledge for decades that in times of economic slowdown, regions such as Quebec, and especially Atlantic Canada, are first to be hit by any kind of restraint program which the federal government might exercise, and the last to recover. Yet the budget ignored this elementary fact about the Canadian economy.

There was a refusal to re-examine seriously, as was called for by the leader of my party and by others, government spending priorities in order to bring on stream various labour-intensive projects in eastern Canada. We need not just an expansion of short-term job creation which will in most instances leave nothing economically permanent in the community; we need to look at some major job creation projects which will be increasingly valuable in the future.

The hon. member for Cumberland-Colchester North (Mr. Coates) has repeatedly suggested over the years that there is a tremendous advantage to using Fundy tidal power. Energy is certainly a major cost factor, and this adds a further element of disparity. The government should take an imaginative and positive role with respect to that project. That would do an enormous amount of good for the whole Atlantic region.

The budget was silent on the development needs of the have-not regions except for one single, lonely measure. It proposed an additional investment tax credit above the national allowance of 5 per cent for the Atlantic provinces and Gaspé region, and 2.5 per cent for the remainder of Quebec. This is a measure about which the Minister of Regional Economic Expansion appears almost ecstatic, to the point where, without meaning to do so, he misled this House in saying that it is the first time the Canadian tax system has recognized that there are differences between the various parts of the country. I want to remind the minister that it is not the first time. It is not even the second time. The right hon. member for Prince Albert (Mr. Diefenbaker) recognized the importance of tax

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policy as an instrument of regional development as far back as the budget of December 20, 1960, as did the late Prime Minister Pearson in the budget of June 13, 1963.

I can understand the minister waxing enthusiastic in those rare instances when one of his colleagues in the cabinet takes note of regional needs. However, instead of misleading us about the significance of this tax measure, I wonder why the minister did not choose to spell out its impact on the have-not regions.

The budget documents say that extension and enrichment of the investment allowance will put \$385 million back into the hands of business. They do not say how much additional funds will go to business in areas starved for investment. Will it be \$150 million, \$50 million, or \$5 million? Yet we are expected to take the minister's word that this is a significant measure in aid of those regions. How effective is this measure to be in generating new investment? How many jobs will it create? I hope the minister will have an opportunity to tell us during the course of this debate. In the face of the government's silence on these essential questions it is difficult not to conclude that this special tax allowance is either not all it is made out to be or, worse still, is next to useless.

There are other questions about this tax allowance which the government, it seems to me, has ignored. Why is the measure only good for three years? Where did those 5 per cent, 7.5 per cent and 10 per cent figures come from? What analysis were they based on which showed that these were the ideal differentials needed to promote regional investment? In fields such as research and development I would have thought something in the range of a 75 per cent to a 100 per cent tax allowance would be required in the Atlantic region. But no, the budget assumes that a simple 5 per cent above what industry in the rich provinces receives will be sufficient to bring research relevant to Atlantic needs up from its present near-zero level. In other words, the government has taken a commendable principle—and I have told the minister it is a commendable principle—of making the tax system sensitive to regional needs, and is now proceeding to bury it with tokenism.

I believe there is enormous potential in the use of federal fiscal powers to combat disparity and equalize opportunities among our regions. Why this government has not risen to the challenge is beyond comprehension. There is much that could be accomplished in promoting regional development goals at the very basis of those structures and institutions which govern our economy. There is much to be achieved in creating new jobs and new investment. Government spending is up, the federal tax intake is up and the national deficit is up, yet the Minister of Finance cannot find any money for worth-while programs in regional development.

● (1540)

Mr. Speaker, if this had been a Progressive Conservative budget, the central position of fiscal policy in any credible regional development program would have been extremely well recognized. I think there is no doubt about that, because successive leaders of this party, both in office and in opposi-