

*The Budget—Mr. Chrétien*

I find, table 16 which shows the unemployment rates by region.

Well, if I take the unemployment rate for the Atlantic provinces, I find that in 1965 that rate was the lowest since 1956. In fact, in 1957, the unemployment rate in eastern Canada stood at 8.4 per cent; in 1958, 12.5 per cent; in 1959, 10.9 per cent; in 1960, 10.7 per cent and in 1961, 11.2 per cent, etc.

In 1964, the rate was down to 7.8 per cent and, in 1965, to 7.4 per cent; that shows clearly that in the last few years the situation has been much better in that part of Canada than it was in 1958, 1959, 1960 and 1961. However, we are ready to admit that this situation has not been completely corrected yet and it is necessary to give it particular attention.

In the present budget, the Minister of Finance adopted measures which will not be the same throughout the country in that all the existing measures to help areas which are faced with an economic slowdown will remain in force.

In fact, since the Maritime provinces and the whole of eastern Quebec are covered by the assistance program for designated areas, the present budget provides that those designated areas were not to be affected by the economic control measures proposed. Although amortization allowances with regard to property acquired in the next 18 months will be considerably reduced for a period of three years everywhere in Canada, the amortization allowance rate will be kept at the same level for the designated areas; that will create a more favourable situation for those areas which are faced with slower economic growth. Indeed, that sensible difference in amortization will encourage industrialists to look even more to those designated areas where the Department of Industry is already granting grants of up to 33 per cent for all new investments in machinery and industrial construction.

Moreover, in the designated areas, which include all eastern Quebec practically and all the Maritime provinces, the income of the new manufacturing or processing industries which are eligible for a three-year income tax exemption will also be exempted from the refundable tax of 5 per cent.

If we add to what I have already said the fact that the government intends to maintain and even increase its assistance to the Atlantic region, through numerous programs similar to ARDA, the \$100 million fund for the development of the Atlantic region, it is

[Mr. Chretien.]

obvious that the present budget favours the underdeveloped areas of Canada.

It is also to be noted that the government will maintain its public works program in the Maritimes, while it will be trimmed down in other parts of the country; it is unfortunate that the new policy on the causeway between New Brunswick and Prince Edward Island has been so badly misinterpreted.

It is well understood that the causeway will be continued and completed as per schedule. Only one change was made: a new work calendar was accepted so that the greater part of the work would be performed during the off-season, that is when unemployment reaches a peak, so that the project might contribute even more to the economy of those provinces.

There is one point, Mr. Speaker, which I would like to bring up because it is of great comfort to me, in that it is a new initiative which proves great imagination.

I mean the 5 per cent tax on cash profits, that is profits after tax deductions. In view of the \$30,000 exemption, it is not meant for small businesses for after all they will not pay it. However, it is intended to deprive businesses temporarily of part of their cash profits which they might otherwise be tempted to spend on capital expenditures this year. As there is a shortage of labour and material in capital goods industries, including construction, any additional expenditures would inevitably lead to increased costs and prices as a result of competition between businesses for labour and materials already in short supply.

It must be noted, however, Mr. Speaker, that this new initiative does not apply in areas recognized as less economically developed in Canada, namely, the designated areas.

The funds paid to the federal government will bear an annual interest of 5 per cent and may be repaid at any time, from 18 to 36 months afterwards, thus enabling the federal government to release them when resources are subject to lesser pressures and allowing investments to keep on expanding at a more easily maintained rate.

This notion of a refundable tax on cash profits is an entirely new one. It is somewhat similar to the Swedish program also designed to regulate capital expenditures. It is different in that, except for this \$30,000 exemption, all companies are taxed, whereas the Swedish system is optional. It is also different in that Swedish authorities have set no time limit for