

*The Address—Mr. Jamieson*

strate in precise language, when they are promulgated, that although our current regulations exclude an incentive in an instance where a project would simply transfer existing jobs from one location to another within a designated region, the regulation change applies this constraint to all of Canada and makes incentives contingent on any plants of the applicant or parent firms manufacturing similar products anywhere in Canada continuing to operate at the same level as at the time of the incentive application. This will be welcome news to many who feel that under some circumstances, perhaps, shifts were made within the Atlantic provinces or within designated areas in order to take advantage of the grant provisions.

I will turn now to minimum capital costs. We have had many representations to the effect that the floor or minimum which we were prepared to consider for incentives was too high. One of the major features of the revised program will be the introduction of incentives for smaller projects. In line with government policies I and the Minister of Industry, Trade and Commerce (Mr. Gillespie) have seen what we could do for small business. We have discovered that there have been many worthy projects put forward to the department under the old program that did not qualify because their capital costs were lower than those prescribed by the regulations. I think hon. members should note that the figure is \$60,000 in the case of a new operation and \$30,000 in the case of an expansion.

In the case of a new plant or an expansion into new product lines, which is virtually the same thing, these costs must normally total \$60,000. We will be reducing that to \$25,000. To make it more flexible still, in the case of that kind of new operation the costs involved may be either \$25,000 or there may be the creation of five additional jobs. So, we will be able to work with the small businessman in the manufacturing and processing sector in particular, in order to try to encourage that type of enterprise. We will also reduce the figure to \$25,000 for straight expansion of existing product lines. The reduction in that case, from \$60,000 to \$25,000, is not so great. We have simply brought both into line at \$25,000, for obvious reasons.

I now turn to another interesting and useful change we will make in the regulations. Again, I hope this will demonstrate that I have been listening to what hon. members on the committee and in this House have been saying. We will bring in a new program providing for an incentive grant which is to be repayable under certain circumstances. This will overcome special problems encountered in several types of projects. One type involves projects which will be very profitable if the products are quickly accepted by the market. Where the government risk is considered worthwhile, an incentive may be provided with the condition that, if certain levels of profitability and other performance stipulations are met, the incentive will be paid back. This is an example of new flexibility. In looking at the profit position of a particular applicant, it might be very difficult to justify an outright non-repayable grant, even if it could be demonstrated that the project itself is worthwhile.

Even large and often profitable companies find themselves in cash flow difficulties, which may lead to the abandonment of a project or to delay in its implementation. This provision will enable us to say to a manufactur-

[Mr. Jamieson.]

er or processor or company to which this will apply, "We will provide you with the incentive; but, if your profit projections turn out to be correct, then there appears to be a case for recovering these moneys at some point when you are on stream and your balance sheet shows that you no longer need this form of assistance. I hope we will be able to cope with certain other cases by using this technique.

● (1610)

Another type of project might not be able to attract sufficient financing at reasonable rates while, on the other hand, an outright grant might not be considered appropriate. In such an instance, a loan guarantee might be given if a suitable lender is available. However, where a lender is not available or the project might be lost because competitive funds are not available elsewhere, an incentive with specific provision for repayment might be a suitable instrument. Again, projects which might not have received an incentive can be assisted. I believe they can be assisted in a way which is consistent with our view that, while we wish very much to see industrial development take place in the slower growth parts of the country, we do not want, and I do not believe there is any necessity in some instances, to simply make public funds available as a gift. If the project is as good as the promoter says it is, surely the logic for some form of repayment, continued expansion or some other justification might deserve merit.

I want to touch on a few other modifications. We are going to change the qualification so that leased assets for incentives can be covered in certain cases. The forest industry, for example, often has a very large investment in terms of leased assets. Therefore, in order to accommodate the applicant, we will now embrace these, something we were not capable of doing before because they had to be fixed assets in the literal sense of the word. Something else we are going to do is adjust the list of eligible assets to include certain off-site assets employed exclusively for the operation. Here again I am thinking in some respects of the forest industry and some aspects of other types of manufacturing industry, for example transportation vehicles used between separate sections of the same facility. It seems to make eminently good sense to include these in the calculation of a grant.

There will be an addition of a few new activities to those already eligible for assistance. We discovered in some instances the definition of manufacturing and processing had to be broadened to some degree. I may say I am open to other suggestions beyond the examples I am giving today, but the type of thing is grinding, mixing and blending of fertilizer and feedstuffs, drying of hides, cleaning or drying of peat or Irish moss, certain transporting and merchandising activities and most types of concrete and asphalt mixing. These have now all been included in the program.

**Some hon. Members:** Hear, hear!

**Mr. Jamieson:** There will be an increase in allowances for cost over-runs for payment. Members have asked me on occasion what we are doing with regard to the possibility that, with today's circumstances, estimates might well get out of hand in some respects and a project, after it had