

moved the government to select 30 per cent, in the sense that in the census district the family unemployment rate had to exceed the national average by at least 30 per cent? Why not 20 per cent? Again, what is the magic, in terms of per capita income, of having a per capita income in the area that is less than 89 per cent of the national average?

Senator Frith: I cannot say what the magic is. Those criteria, in my analysis of the two programs—the criteria in this case of that one program—were based on that aspect of subjectivity which I believe was the criterion which was used to produce the result; and there was no particular magic or objective value in those criteria.

Senator Murray: I beg the deputy leader's pardon for interrupting him at this point, but if the government, for example, had decided that the family unemployment rate had to exceed the national average by at least 20 per cent, then, in that case, I expect that all of the Atlantic region, for example, would have been included in the program; whereas now chunks of the Atlantic region have been taken out and rendered ineligible in a program which purports to attack regional disparities.

Senator Frith: That point was made by the Honourable Senator Murray in his intervention, and I gave several examples, such as Rimouski, where admittedly there was an "artificial" criterion applied in order to reach a conclusion regarding the neediness for receipt of the benefits under the program. In my intervention I wanted to underline the fact that there is a great deal more subjectivity and discretion in the De Bané and MacEachen program than, as I understood it, there was in the Crosbie program.

Senator Murray claimed that if one were to adhere strictly to the criteria on unemployment and income, certain excluded areas would have been included while other included areas would have been excluded. However, it is still urged—that is, in the Conservative program—that we include the entire Atlantic and Gaspé regions, even though not all of those areas qualify against the stated criteria. So I guess it is a matter of how we want to be flexible. I admit voluntarily that the flexibility that has essentially been applied here has been a subjective flexibility to produce the results, based more on neediness than on strength or significance of impact.

The government realized that numbers alone were not sufficient to design an effective program. We knew that certain disadvantaged groups and areas, such as native peoples and those in the north, would not be eligible if we were blindly to follow the numbers game. Senator Murray has called it arbitrary and subjective. I admit that it is subjective. I would prefer not to use the word "arbitrary," and therefore will not.

Some Hon. Senators: Oh, oh.

Senator Frith: I would choose my words as he has his and say that rather than arbitrary and objective they were benevolently discretionary.

Some Hon. Senators: Oh, oh.

[Senator Murray.]

Senator Frith: It should be borne in mind that the selection of the eligible areas and industries is, however, the sole discretionary aspect of the special investment tax program which, honourable senators should remember, in context is only one DREE program and was never intended to be anything more. So the discretion really applies to the selection of the eligible areas and the industries. That is the only really discretionary aspect. Of course, Senator Murray could say that is quite a lot, and it is, in a program of this kind.

After that, the program does become an automatic one and more objective. If an individual or firm is engaged in an eligible enterprise in a selected area, the credit is available as a matter of course. There is no opportunity to make any judgment as to whether the credit should be given, provided an individual or firm is engaged in an eligible enterprise in a selected area. It is simply claimed by the individual or firm on the income tax form. However, DREE's industrial incentive under the Regional Development Incentives Program remains a matter of judgment or discretion.

Senator Murray made reference to inter-ministerial confusion over the stacking of benefits under the Special Investment Tax Credit Program with DREE's other industrial incentives. I submit that there is no confusion, that the situation is clear and has been clear. The incentives under the Regional Development Incentives Program are discretionary. Those incentives are not a matter of right. Whether an applicant will be offered an incentive, and the amount of that incentive, are decisions that must be made by the Minister of Regional Economic Expansion and his delegated officials.

Of course, the amount of an incentive is normally based on such factors as the amount of the investment and the number of jobs created; but, in the final analysis, the decision is made on the basis of the contribution a project will make to the industrial development of the region, and, of course, on that objective there is no difference between Crosbie, De Bané and MacEachen. The objective is that the project make a contribution to the industrial development of a region.

Senator Murray: Of a census district, not a region.

Senator Frith: In this case I am using "region" in that sense; that is quite right. I have dealt with that—perhaps not satisfactorily, but I have dealt with it—that is, not to the honourable senator's satisfaction or that of his colleagues. When I say that they agree, I am using "region" in the sense of "a region." In our case it was a census region. In the case of the Crosbie program it was not based on that—as Senator Murray finds it—more restricted basis.

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It is entirely possible that it may be in the best interests of the area concerned that an entrepreneur receive both the special investment tax credit, which is non-discretionary, and an incentive under the Regional Development Incentives Program. The amount of this incentive might well be less than it would be were a special investment tax credit not in place; however, it is equally possible that a full incentive could be accorded if it were deemed necessary.