

Grants to Designated Areas

vincial interests, and have had both formal and informal consultations with regard to our new proposals. I think we have to recognize that as the provinces devise and implement development programs of their own, there will have to be close and continuing consultations to ensure that we move to our common objectives in a co-ordinated manner.

The Prime Minister said in his announcement of June 7 that final details with regard to criteria for designation of areas under this new program will have to await the completion of consultations with the provinces. I expect that these criteria, together with a description of the designated areas, will be announced immediately after the Prime Minister's conference with the Premiers to be held in July. Following this announcement and subsequent to the conference, I have assured a number of Members, and I am glad to assure the House, that the Government will table at the opening of the next part of the session the Order in Council designating the areas and will endeavour at an early date thereafter to refer the Order in Council to the House Committee on Industry, Research and Energy Development for discussion.

Because of the critical importance of the considerations affecting the designation of areas to which this bill will apply, I have given this rather detailed statement concerning both matters of mechanics and principle which have been taken into account.

I now wish to deal more specifically with the incentives for encouraging industry to locate in the designated areas, which is the subject matter of the bill now under consideration. The Government's purpose in this legislation is to provide improved employment opportunities for people in areas where these are inadequate in comparison with Canada as a whole. It is our intention to have better employment opportunities and sound economic growth at the same time.

We are convinced of the importance to the country of a broadening and strengthening of our industrial sector and we wish to make it possible for some of this expansion to take place in the areas where industrial employment opportunities are needed most. To this end, the bill before you will provide for development grants to assist new manufacturing and processing industries to establish in designated areas. It will also provide grants to existing manufacturing and processing industries to assist them in expanding their facilities. We recognize that there are obstacles, and at times additional costs, to locating

in designated areas as compared with well-established industrial centres. It is the purpose of this bill to help overcome such obstacles and to provide an offset to higher initial costs. We propose that these grants should be based upon the fixed capital outlays incurred by the enterprise in establishing or expanding a business in designated areas, in accordance with formulas defined in the bill.

I should like to stress that it is not the Government's intention to encourage industries to establish in areas where their long-term prospects for success would be in doubt. While the Government will be providing financial assistance, the firms themselves will provide the bulk of the investment capital. Management will decide whether this initial capital assistance will offset the costs and other impediments to locating in designated areas as compared to alternatives. There is therefore a strong built-in safeguard to ensure that new enterprises in these areas will be viable on a long-term basis.

The development grant will amount to 33½ per cent of the first quarter of a million dollars of fixed capital outlay. This proportion is higher than the allowance for larger investments, because it is the Government's view that the smaller firm is often well adapted to conditions in designated areas. Furthermore, the smaller firm is often more labour-intensive. We are also aware that smaller firms usually have difficulties in their initial financing, so that a cash grant is the more effective way of meeting their needs.

On capital costs between \$250,000 and \$1 million, the development grant will amount to 25 per cent of the fixed investment and on outlays over \$1 million the proportion will be 20 per cent, with a maximum of \$5 million for any single facility. For expansion of an existing facility, the amount of the grant will be determined by the same formula, except that the expansion must be larger than a specified minimum in order to qualify. Again the \$5 million maximum grant for any single facility will apply.

Some firms may, for one reason or another, prefer to have a remission of tax rather than a cash grant. These tax incentives have proven highly attractive to many firms in the present program, and they will be retained as an option under the new program until the relevant provisions in the Income Tax Act expire on March 31, 1967. Furthermore, firms which qualify for assistance under the new program may elect to take a tax credit in lieu of a cash grant.