

to a young and in many areas a majority native population living mainly in small, isolated communities. It must be designed to promote the continued economic and social viability of these communities.

Second, jobs must be created not only for young people now entering the labour force, but, even more important, for the existing labour force, and tailored to their desire for continuing participation in traditional pursuits. The choice should not be either/or—modern or traditional.

Third, economic development must be diversified and dispersed. A better balance of economic activities will reduce the current dependency on major projects and on one or two economic sectors.

Fourth, northern based private enterprise—not just large companies, but small business and co-operatives as well as the hunters, trappers and fishermen—must be promoted and strengthened.

Fifth, the environment must be preserved and protected by the encouragement of advanced conservation practices. The north should take the lead in developing mechanisms to use local resources to the greatest extent possible.

Once again, I stress that every economic sector requires careful consideration in the balanced socio-economic mix of the north. The budget addresses this principle in the way it deals with various aspects of the economy. As the Minister of Finance emphasized, it is essential to maintain our competitive position, and we must strengthen our efforts to encourage investment and growth in all the regions of Canada.

Two highly important measures that will stimulate basic northern economic sectors are the changes in the investment tax credit and changes in the treatment of eligible deductions for mines. The investment tax credit is being raised indefinitely from 7.5 per cent to 10 per cent for investments in the Yukon and Northwest Territories. In addition, a basic 7 per cent credit will now be available for investments in rail, water, air and long-haul road transportation. The current write-off for development expenditures in mining is to be raised from 30 per cent to 100 per cent. Earned depletion allowances for new mines will include townsites and social assets; and the fast write-off for pollution control equipment will be extended indefinitely.

It has been said more than once that as the mining industry goes, so goes the north. That concept is too simplistic by itself, but embraces some truths that recognize the very real significance of mining in the economic and social fabric of the north. These measures will assist the mineral and transportation sectors. It is estimated that the changes will provide several million dollars of additional tax savings for new northern mines.

This budget applies quite specifically to northern needs. Prehistoric forces of nature deposited their resources with little regard to the convenience of modern man. To put it another way, mines are built where the minerals are, and if that happens to coincide with our limited settlement of the north it is purely by accident. What could be more practical in north-

ern terms than the increased depletion allowance for townsites to complement new mining ventures?

The northern economy is certainly fragile. Thirty per cent of all private sector employment is in mining—a situation which dictates that we must be sensitive to the needs of that industry, while keeping an eye on the requirements for diversity. To this end, the 7 per cent investment tax credit for transportation equipment could have implications on several aspects of northern transportation. The White Pass and Yukon Corporation, where a number of capital improvements to its railway are required, could use it to advantage. For example, on a \$6 million capital investment, the corporation stands to gain a \$420,000 tax credit. Some northern aviation companies may require new or more efficient equipment. The tax credit should encourage these firms to purchase such aircraft, resulting in improvements to this service so vital to communities separated by such vast distances.

The value of continued incentives for frontier oil and gas exploration is recognized in the extension of the drilling fund incentives until December 31, 1981. This extension will provide Canadians with a continued opportunity to participate in the exploration programs and provide northern explorers with valuable alternative sources of domestic capital. This is particularly important as exploration progresses in the offshore areas, such as the Beaufort Sea and the Sverdrup Basin, where each well may cost \$40 million or more.

● (1602)

In addition, it should not be forgotten that if natural gas in the Arctic Islands is developed using LNG tankers, the investment tax credit will be both an incentive to develop the gas deposits earlier and a further incentive to build the ships in Canada.

Mr. Speaker, it should be recognized by now that the government's continued attention, through this budget and other measures, encourages renewed confidence among northerners and others with an interest in the north. As I said earlier, the budget addresses the basic needs and complements government initiatives which are already in play.

I think it is fair to say that my relations with the mining industry earlier this year were much less settled than they are today. This is a moment of modesty in the speech. The budget has had a substantial influence on that upturn.

Some hon. Members: Oh, oh!

Mr. Faulkner: Mr. Speaker, I am glad to see that the opposition is still awake. It is unusual to see them still alive and well on a Friday afternoon.

Mr. Knowles (Winnipeg North Centre): It is nice to have you here.

Mr. Faulkner: I might add that maintaining a consistent equilibrium between the social and economic forces at work in the north requires constant adjustments: sometimes the scales tip in favour of one or the other before the balance is restored.