

REGIONAL DEVELOPMENT PROGRAMS

One of a series of staff papers prepared by the federal
Department of Regional Economic Expansion
as part of the regional development policy and program review.

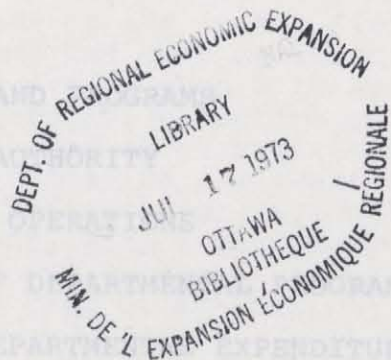
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INTRODUCTION

The establishment of the Department of Regional Economic Expansion in 1969 resulted in the consolidation within a single department, of a number of existing federal agencies and programs active in the field of regional development. These programs had been designed to deal with specific problems of limited areas, each with somewhat different objectives. Consequently, effective coordination was difficult to achieve and an overall thrust hard to attain. The Department was formed to implement a more integrated and coordinated set of policies for regional economic development and social adjustment, with emphasis upon reducing disparity in economic opportunity between that part of Canada lying east of Montreal and the rest of the nation.

LEGISLATION AND PROGRAMS

At the time that the department was established, it was necessary to reorganize certain responsibilities and powers within the federal jurisdiction related to economic development, and to provide for certain specific ministerial powers essential to the new regional development effort. This was achieved through two separate pieces of legislation:

The Government Organization Act, 1969*, which provided for the creation of the department, the transfer of authority for existing programs, and the creation of certain new powers;

The Regional Development Incentives Act which came into effect on July 1, 1969 and which replaced the Area Development Incentive Act (ADIA) and provided for authority to offer new financial incentives to industry.

The transfer of authority for existing programs and legislation incorporated both legislation which was continuing and legislation that was being phased out but which carried a responsibility to administer existing agreements and programs.

Legislation and programs of a continuing nature transferred from other departments were:

The Agricultural and Rural Development Act (ARDA)
The Prairie Farm Rehabilitation Act (PFRA)
The Newfoundland Resettlement Program

Legislation and programs transferred from other departments were:

The Fund for Rural Economic Development (FRED)
The Area Development Incentives Act (ADIA)
The Atlantic Development Board

* Now the Department of Regional Economic Expansion Act.

The Atlantic Provinces Power Development Act
The NewStart Program
The Maritime Marshland Rehabilitation Act
The Canada Land Inventory

In addition the following bodies report to the Minister but are outside the scope of normal departmental operations:

Atlantic Development Council
Canadian Council on Rural Development
Cape Breton Development Corporation

Residual responsibilities under the Maritime Marshland Rehabilitation Act have now been turned over to the provinces (September, 1972) under a five-year shared-cost arrangement, and the Canada Land Inventory has been transferred to the Department of the Environment (April, 1972).

LEGISLATIVE AUTHORITY

The ruling policy of the new department was and is to stimulate the growth of industrial employment in urban areas of slow-growth regions. This policy is, in effect, the necessary cornerstone in the erection of meaningful programs of economic and social adjustment in the rural areas of these regions. To implement the ruling policy, the department has: the power to assist provincial and municipal governments in improving community infrastructure in urban centres which were or could become the nucleus of growth in a particular area; and the power to assist private enterprises which would establish, expand or modernize manufacturing or processing facilities in target regions. The first of these powers is the Department of Regional Economic Expansion Act, the second is the Regional Development Incentives Act.

The following few pages discuss very briefly these two statutes and the main existing statutes for which the Minister was assigned responsibility.

Department of Regional Economic Expansion Act

Under this act the general duties, powers, and functions of the minister extend to and include:

all matters over which the Parliament of Canada has jurisdiction not by law assigned to any other department, branch or agency of the Government of Canada, relating to economic expansion and social adjustment in areas requiring special measures to improve opportunities for productive employment and access to those opportunities; and

such other matters over which the Parliament of Canada has jurisdiction relating to economic expansion and social adjustment as are by law assigned to the minister.

More specific matters are assigned to the minister under further provisions of the act dealing with special areas and the Atlantic Development Council.

The special areas are defined by the act to be those in Canada that:

...require, by reason of the exceptional inadequacy of opportunities for productive employment of the people of that area or of the region of which that area is a part, special measures to facilitate economic expansion and social adjustment.

The designation of these areas requires consultations with the governments of the provinces in which the areas are to be located.

Within the special areas, the legislation provides the minister with responsibility for, planning, the implementation of plans, and the provision of financial incentives to industry. In relation to planning, the minister has authority to formulate plans in cooperation with the provinces and other federal agencies "for the economic expansion and social adjustment of Special Areas".

The implementation of plans for the development of special areas is carried out in cooperation with the provinces and other federal agencies. The minister also has authority to enter into an agreement, subject to the approval of the

Governor in Council, with a province for the joint execution of a plan.

In cases where a work or facility is judged to be essential to the implementation of the plan, the minister has authority to make an agreement to contribute to the province a grant or loan in respect of part of the capital cost of establishing, expanding, or modernizing the work or facility.

The provisions under the act relating to financial incentives to industry allow the minister, subject to the approval of the Governor in Council, to enter into an agreement with a person proposing the establishment, expansion, or modernizing of any commercial undertaking in a special area to provide financial incentives to such a person to carry out the proposed undertaking. The financial incentives may consist of any one or all of the following:

a grant or loan to cover part of the capital costs of the undertaking;

a guarantee of a loan;

a grant to cover part of the costs of bringing into production and operating an undertaking incurred during the first three years of production.

Finally, the act provides for the establishment of the Atlantic Development Council. The Council is assigned the function of advising the minister on matters concerning economic expansion and social adjustment in the region.

The Regional Development Incentives Act

The Regional Development Incentives Act, which came into effect July 1, 1969, replaced the Area Development Incentives Act which had been in existence since 1965. The new act applies in designated regions determined on the basis of discussions with provincial governments. All of the original designations under the act were for the period to June 30, 1972, but were subsequently extended to December 31, 1973 to allow completion of the department's policy and program review. The only exception to this rule is in the case of the southeastern Ontario and southwestern Quebec areas designated for special development incentives under an amendment to the act passed in December, 1970. For these areas, referred to as Region C, the present designations are due to expire on June 30, 1973.

As amended in December 1970, the act now provides for incentives of three types:

a primary incentive for the establishment, expansion or modernization of a facility;

a secondary incentive for the establishment of a new facility or expansion into new product lines;

a special incentive applicable in certain areas for the establishment, expansion or modernization of a facility.

The primary incentive cannot exceed the lesser of 20 per cent of the approved capital costs of the facility or \$6,000,000; the secondary incentive cannot exceed an additional five per cent of the approved capital costs plus \$5,000 for each job created directly in the facility; the special incentive cannot exceed 10 per cent of the approved capital costs, plus an additional \$2,000 for each job created directly in the facility.*

The 1970 amendment also provided for loan guarantees in designated regions in respect of manufacturing and processing facilities. Loan guarantees can also be provided for part of the loan financing required in connection with major commercial operations, including convention facilities, hotel accommodation or recreational facilities; and business offices, shopping centres or warehousing and freight handling facilities located in large centres of population where these facilities will provide services on a major scale in relation to the size of such centres. Guarantees cannot exceed the lesser of 80 per cent of the approved capital costs or 90 per cent of borrowings for a project. A fee is charged for the guarantee.

Incentives and loan guarantees under the Regional Development Incentives Act are automatically available in special areas designated under the Department of Regional Economic Expansion Act which fall within the RDIA designated region. In addition, comparable assistance is available under the Department of Regional Economic Expansion Act itself in special areas outside the region covered by the regular program. The departmental legislation also enables the provision of incentives to primary and tertiary industries essential to the success of a development plan for a particular special area.

* Other maxima which may apply, particularly in situations where there is a combination of incentives, are \$30,000 per eligible job or one half of the capital employed in the project.

Agricultural and Rural Development Act (ARDA)

This legislation became operational in 1961 under the Department of Agriculture. Prior to 1969 it was administered by the Department of Forestry and Rural Development. It provides the basis for the following joint activities with the provinces:

undertakings related to the more efficient use and economic development of rural lands;

undertakings related to the development of income and employment opportunities in rural areas;

undertakings related to the development and conservation of water supplies for agriculture or other purposes and soil improvement and the conservation of rural lands.

Activities under the act are undertaken through individual agreements with each province and are generally on the basis of federal contributions of 50 per cent of agreed shareable costs.

There have been three sets of agreements under the general ARDA program: ARDA I, ARDA II, and ARDA III. The ARDA I program (begun in 1962) has been largely completed. The closing date for the approval of programs and projects under ARDA II (begun in 1965) was March 31, 1970. This date was however extended to December 31, 1972 and payments for work done before that date can be made up to December 31, 1973.

The general ARDA program provides for cost-sharing agreements with the provinces on programs and projects designed to improve opportunities for increased income and employment from rural resource or of people in rural regions. This includes the more efficient use and greater development of rural land and conservation of water supplies and improvement of soil, diversification or rural economic activity and help to people affected by land use adjustment programs undertaken under the agreement.

The first agreements placed the main emphasis on agriculture, on projects for soil and water conservation, and on alternative uses of land. The second agreements provided for a continuation of these activities but also provided for more emphasis on the training and re-establishment of those rural persons affected directly by these programs. The second agreements also permitted the federal government to undertake projects for Indians that allowed a much greater federal contribution. This led in the western provinces in particular to many significant projects that benefitted

Indian people. These programs were well received, and resulted in the undertaking of Special ARDA Agreements in the Western Provinces. This new program, also undertaken under the authority of the Agricultural and Rural Development Act, was introduced in the 1971-72 fiscal year in an effort to improve employment and income opportunities available to Indian and Metis people who are greatly concentrated in the four western provinces. Additional information about this program is provided in the section on social adjustment and rural economic development.

The ARDA III agreements are basically oriented toward the continuation of previously approved programs or the introduction of additional but similar programs of land use adjustment and soil and water conservation with increased emphasis related to particular provincial needs. In Ontario and British Columbia a new provision allows assistance to rural enterprises when their establishment or expansion provide more employment for rural population. In Quebec the current agreement is intended to promote integrated programs of adjustment in the main rural areas of Quebec as well as special programs for Indian population. In B.C. while the emphasis is still on rehabilitation of irrigation systems and the establishment of new water supply systems, there is some movement toward undertaking a wider variety of projects.

The Prairie Farm Rehabilitation Act

This Act provides for:

Undertaking the development, construction, promotion, operation and maintenance of any project or scheme under or by virtue of the Act, or entering into agreements with any province, municipality or person with respect thereto (subject to the definition of the area of operations as defined below):

to secure the rehabilitation of the drought and soil drifting areas in the provinces of Manitoba, Saskatchewan, and Alberta, and to develop and promote within these areas systems of farm practice, tree culture, water supply, land utilization, greater economic security.

Under this legislation PFRA operates community pastures, provides assistance to farmers for on-farm water supplies and for the conservation and development of community water supplies; constructs and operates irrigation systems, and constructs and maintains major water projects for the conservation and development of water systems.

In addition to providing direct assistance to individual farmers, PFRA works cooperatively with provinces, municipalities and other federal agencies in land use and water development projects.

Application of Legislation

In fashioning programs to achieve its goal the department concentrated on two major tools:

the incentives program to promote the establishment of industry in slow growth regions, and

a program of infrastructure assistance to provide basic facilities to support industrial development in certain centres.

In the context of this main emphasis the department has been active in providing an accompanying social adjustment and rural economic development thrust including existing programs which it inherited.

This combination has resulted in three main thrusts for departmental operations:

Industrial Incentives, having as an objective the creation of continuing productive employment by making investment in viable industry more attractive in relatively slow-growth regions of the country.

Infrastructure Assistance, which assists in providing additional social capital for the water systems, roads, housing, etc., which are necessary to facilitate economic expansion and social adjustment in the areas requiring special measures to realize their development capabilities.

Social Adjustment and Rural Economic Development, to facilitate the access of people in rural areas to productive employment opportunities through social adjustment as well as to improve their incomes through more efficient utilization of rural resources.

It is upon this basis and within this context that the department commenced its operation in 1969. The following pages describe the operation of the department from that time to the present.

DEPARTMENTAL OPERATIONS

Regional development activities depend upon a joint effort between the federal and provincial governments. This principle has been reflected to a large degree in the planning, programming, negotiating, implementation, and funding of the department's efforts.

Planning with every province, except P.E.I.*, British Columbia and Ontario, is carried out through joint planning committees. Joint planning committees are made up of representatives of various provincial departments and agencies and of representatives from various divisions of the Department. Other federal departments are consulted from time to time in the planning and implementation processes as necessary and desirable. The joint planning committees work toward the establishment of the policies and programs required in each province in order to achieve the overall provincial and departmental objectives. Particular emphasis to date has been placed on the plans and programs for Special Areas, which are the only areas in which apply the broad powers given the minister by the Department of Regional Economic Expansion Act.

Most of the departmental programs are funded jointly with the provinces. The only major exceptions are the Incentives program and the Atlantic Provinces highways programs, which are totally funded by DREE. The federal assistance is usually through a cost-sharing formula that varies with the province and program; in some cases, especially the Special areas program, the financing consists of both grants and loans.

Implementation of departmental programs is done jointly with the provinces in a number of ways. For example, for the special areas programs there are joint liaison committees which approve and monitor all stages of planning, design, construction and implementation of programs and projects. For

* In P.E.I. there is a joint advisory board which includes senior officials of other federal departments and on the provincial side, the premier and some provincial cabinet ministers.

the ARDA programs, there are joint ARDA committees with the provinces, that formulate the ARDA programs under the general Agreement and review the projects within each of the program categories.

MANAGEMENT OF DEPARTMENTAL PROGRAMS

To carry out its responsibilities, the Department is organized basically into planning and operational units. Its initial organization was set up into planning, programming, implementation and incentives components under four assistant deputy ministers plus the necessary administrative and technical support functions. Subsequently, the Department was reorganized with planning and programming being amalgamated under one assistant deputy minister (Planning). At the same time, the implementation function, previously under one Assistant Deputy Minister, was re-allocated on a regional basis -- East, Central and West, each under an Assistant Deputy Minister (Operations) located in Ottawa. Management of the incentives program remained under an Assistant Deputy Minister (Incentives). The department operates offices in each provincial capital headed by a director.

The Directors in the provinces report respectively to their Assistant Deputy Minister (Operations) in Ottawa.

The existing responsibilities for management of departmental activity are explained in the following paragraphs:

Planning Division

The Planning Division is generally responsible for overall economic analysis, and for working with the provinces in the Joint formulation and development of economic and social development strategies and programs. It is also responsible for undertaking negotiations with the provinces leading to the signing of joint agreements to implement development activities. To carry out this work there is a plan formulation branch with a component for each region. These components provide a focus for the work, and are supported by a number of functionally specialized units. The Economic Analysis Branch and the Social and Human Analysis Branch are responsible for general and specific social and economic analysis.

Operational Assistant Deputy Ministers

The general responsibility of the Assistant Deputy Minister (Operations) is to ensure that the agreements with the provinces, formulated and negotiated by the Planning Division, are implemented according to the terms and conditions

of the agreement and within the administrative, financial, and time constraints set out. In addition the ADM s (Operations) have general responsibility for the formulation and approval of programs and projects undertaken through agreements with the provinces under the ARDA legislation.

Field Directors

The Field Directors are generally responsible for the implementation of agreed plans and programs within the province of their jurisdiction, on behalf of their respective ADM s and provide to the department a day to day working relationship with the provincial administrations. Where applicable, the director participates in the overall planning process, as a departmental representative on the joint planning committee. In addition, while provincial directors have no operational responsibility for the Regional Development Incentives Act, they have a promotional responsibility for the act in their province. They also participate in the management of joint research projects and joint programs.

Incentives Division

This division is generally responsible for the entire administration of the incentives program including intelligence, overall promotion, processing and approval of applications, and inspection for payout purposes. This program is administered from Ottawa, with the exception of the Montreal office which handles special development incentives applications from that portion of Incentive Region C covering south-western Quebec.

SUMMARY OF DEPARTMENTAL EXPENDITURES

As mentioned earlier there are three main thrusts in departmental operations i.e., industrial development, infrastructure assistance, and social adjustment and rural economic development. These provide major categories of activities under which nearly all departmental effort is grouped for expenditure and administrative purposes. A fourth category developmental planning and administration - includes expenditures for many special studies and projects as well as for departmental administration.

Actual Expenditures for all programs are:

Expenditure Pattern
1969-70 to 1972-73 (Estimated)

	(\$Millions)		<u>Total</u>
	<u>Budgetary</u>	<u>Loan</u>	
1969-70	179.3	40.2	219.5
1970-71	260.5	70.3	330.8
1971-72	308.6	36.2	344.8
1972-73 (Estimate)	377.8	74.1	451.9
Cumulative Total	1,126.2	220.8	1,347.0

A more detailed breakdown by major activities is shown in the following tables as well as the distribution by province of the total cumulative expenditures and the per capita distribution of budgetary expenditures only.

Actual Expenditures
To March 31, 1972)

(\$Millions)

	1969-70		1970-71		1971-72	
	<u>Budg- etary</u>	<u>Loans</u>	<u>Budg- etary</u>	<u>Loans</u>	<u>Budg- etary</u>	<u>Loans</u>
Developmental Planning & Admin.	12.1	-	15.4	-	18.8	-
Industrial Incentives	56.2	-	62.0	-	105.5	-
Infrastructure Assistance	39.8	39.8	107.1	68.6	96.1	33.2
Social Adjustment & Rural Econ. Dev.	71.2	0.4	76.0	1.7	88.2	3.0

Estimated Expenditures 1972-73
 and
Projected Expenditures 1973-74
 (\$ Millions)

	1972-73		1973-74	
	<u>Budg- etary</u>	<u>Loans</u>	<u>Budg- etary</u>	<u>Loans</u>
Developmental Planning & Admin.	26.2	-	35.2	-
Industrial Incentives	129.8	16.0	163.7	6.0
Infrastructure Assistance	96.0	50.9	108.5	69.9
Social Adjustment & Rural Economic Development	125.9	7.2	117.5	12.2

Cumulative Expenditures
 Five year period 1969/70 to 1972/73
 Distribution by Province
 All Programs

Province	BUDGETARY		LOANS		TOTAL		% OF Population in Canada
	Expenditures (\$Million)	% of Canada Total	Expenditures (\$Million)	% of Canada Total	Expenditures (\$Million)	% of Canada Total	
Newfoundland	113.8	10.1	77.8	35.2	191.6	14.2	2.44
Prince Edward Island	55.4	4.9	10.9	5.0	66.3	4.9	0.52
Nova Scotia	126.6	11.2	39.8	18.0	166.4	12.4	3.64
New Brunswick	161.3	14.3	30.9	14.0	192.2	14.3	2.94
EAST	457.1	40.5	159.4	72.2	616.5	45.8	9.54
Quebec	303.9	27.0	53.1	24.0	357.0	26.5	27.76
Ontario	66.1	5.9	-	-	66.1	4.9	35.85
CENTRE	370.0	32.8	53.1	24.0	423.1	31.4	63.61
Manitoba	68.7	6.1	4.6	2.1	73.3	5.4	4.54
Saskatchewan	67.7	6.1	1.5	0.7	69.2	5.1	4.20
Alberta	68.6	6.1	2.2	1.0	70.8	5.3	7.58
British Columbia	28.3	2.5	-	-	28.3	2.1	10.29
WEST	233.3	20.8	8.3	3.8	241.6	17.9	26.61
NON-ALLOCATED	65.8	5.9	-	-	65.8	4.9	-
TOTAL	1126.2	100.0	220.8	100.0	1347.0	100.0	99.76

Per Capita Expenditures
Total DREE Programs
Budgetary (Dollars)

Province	1969-70	1970-71	1971-72	Estimate 1972-73	Percentage Increase
Newfoundland	23.33	72.65	50.07	69.85	199.40
Prince Edward Island	92.93	116.99	132.03	151.46	62.98
Nova Scotia	33.99	26.74	49.46	49.90	46.80
New Brunswick	36.06	88.14	62.04	66.85	85.38
EAST	35.11	62.24	58.35	66.79	90.23
Quebec	4.24	9.49	16.63	19.88	368.86
Ontario	2.62	1.61	2.16	2.18	16.79
CENTRE	3.34	5.10	8.56	10.38	210.78
Manitoba	16.41	15.31	17.07	20.64	25.77
Saskatchewan	15.76	17.64	19.31	20.52	30.20
Alberta	10.14	7.63	4.85	19.31	90.43
British Columbia	2.24	2.65	4.83	3.07	37.05
WEST	9.19	8.76	9.31	13.45	46.35
CANADA	8.42	12.08	14.14	17.31	105.58

SUMMARY OF DEPARTMENTAL COMMITMENTS
OUTSTANDING AFTER 1972-73 ESTIMATED EXPENDITURES¹.

<u>Program</u>	<u>As of (Effective Date)</u>	<u>(\$Millions)</u>		
		<u>Contribution</u>	<u>Loans</u>	<u>Total</u>
ADIA	March 31, 1972	\$ 42.9	-	\$ 42.9
RDIA	September 30, 1972	229.7	-	229.7
Special Highways	March 31, 1973	9.8	-	9.8
Special ARDA	March 31, 1973	7.9	-	7.9
FRED	March 31, 1973	245.3	27.0	272.3
ARDA	March 31, 1973	75.1	-	75.1
Special Areas	March 31, 1973	36.0	40.4	76.4
Miscellaneous ² .		<u>14.2</u>	<u>37.6</u>	<u>51.8</u>
Totals		<u>660.9</u>	<u>105.0</u>	<u>765.9</u>

1. Except for ADIA and RDIA

2. This includes feasibility studies, industrial development projects, Agricultural Service Centres, and a few other small projects.

THE DEVELOPMENTAL PLANNING AND ADMINISTRATION ACTIVITY

This activity provides for all the normal administrative expenditures to manage operations, and expenditures related to economic and social planning. The pattern to date is as follows:

	<u>Budgetary</u> <u>(\$Millions)</u>	<u>% of</u> <u>Total</u>
1969/70	12.1	5.5
1970/71	15.4	4.7
1971/72	18.8	5.5
1972/73 (estimate)	26.2	5.8

This activity includes all the planning undertaken in the Department and also covers:

contributions made to the provinces for joint geological, resource, planning and engineering studies. These are directed towards determining the best strategies for the development of natural resource industries and their potential for contributing to regional development efforts in slow growth regions;

examining urban transportation, forestry, fisheries, agriculture, tourism and manufacturing; and undertaking engineering studies to support provincial technical surveys, particularly in the Maritimes;

the considerable work undertaken under the Canada Land Inventory up to April 1, 1972. This joint program, a national survey designed as a basis for land use and resource planning for agriculture, forestry, recreation and wild life, has since been transferred to the Department of the Environment,

the Atlantic Provinces Surveying, Mapping and Land Registration program which is engaged in establishing a system of geographic reference points on which to base land descriptions and maps and to improve the land titles system.

Expenditures on these joint studies:

	<u>Budgetary</u> <u>(\$Millions)</u>
1969/70	4.4
1970/71	4.9
1971/72	5.9
1972/73 (estimate)	2.4

Existing agreements related to this program are:

New Brunswick Accelerated Program of Mineral Reconnaissance.

Saint John, N.B. Urban Region Study.

Greater Moncton Metropolitan Planning Study.

New Brunswick Forest Resource Study.

Northeast New Brunswick Transportation Study.

Newfoundland Mineral Exploration and Evaluation Program.

THE INDUSTRIAL DEVELOPMENT ACTIVITY

The industrial incentives program forms the main basis of this activity. The objective of the program is to increase employment by encouraging industrial and commercial development in slow-growth regions. It involves the identification of industries that have potential for growth in designated regions and special areas, and assistance to appropriate plants through incentive grants under the Area Development Incentives Act (ADIA), the Regional Development Incentives Act (RDIA) and the Department of Regional Economic Expansion Act for the creation of continuing productive employment.

Total expenditures for the industrial incentives activity in the department include the normal administrative costs of the various programs, expenditures for RDIA, ADIA, and industrial development projects. Expenditures for all components are:

	<u>Budgetary</u> (\$Millions)	<u>Loans</u>
1969/70	56.2	-
1970/71	61.9	-
1971/72	105.5	-
1972/73 (estimate)	129.8	16.0

Area Development Incentives Program (ADIA)

Although the Area Development Incentives Act has been replaced by the Regional Development Incentives Act, the incentives division continues to administer the program in order to honour outstanding commitments.

Expenditures under ADIA are:

	<u>Budgetary</u> (\$Millions)
up to 1969/70	42.1
1969/70	54.5
1970/71	47.4
1971/72	63.1
1972/73 (estimate)	18.8

The final date for applications to be submitted under the Area Development Incentives Act was December 31, 1969. In order to be eligible for the grant, new or expanded facilities were required to be in commercial production by March 31, 1971, unless an extension was authorized by the Minister to accommodate delays which were clearly beyond the control of the applicant.

The ADIA program, during the four and one-half years of its existence, generated 1,920 applications for grants and 460 applications for tax exemptions under section 71 (a) of the Income Tax Act. The following table indicates the number of active applications (cases where payments have been or may still be made) the capital costs, and estimated number of jobs involved, by region, at the end of the effective

period of the program (March 31, 1971).

		<u>Active Cases</u>	<u>New Investment in Fixed Assets</u>	<u>Estimated Employment</u>
Atlantic Provinces	Grant	275	575,233,000	14,959
	Tax	33	88,465,000	2,745
Quebec	Grant	258	374,028,000	13,074
	Tax	40	154,214,000	2,986
Ontario	Grant	110	174,735,000	7,961
	Tax	94	233,988,000	8,544
Western Provinces	Grant	197	388,545,000	7,855
	Tax	9	5,038,000	658
Total Canada	Grant	840	1,512,541,000	43,849
	Tax	176	471,705,000	14,933

The estimated employment resulting from the program as at March 31, 1971 was:

Grant	--	43,849
Tax	--	<u>14,933</u>
		<u>58,782</u>

During the life of the program, grants totalling some \$250 million were authorized for individual firms up to March 31, 1972. Expenditures on account of these grants totalled \$207.1 million.

Current Program for Industrial Incentives

The department's current and continuing program for direct industrial assistance operates under two legislative authorities when:

in designated regions under the Regional Development Incentives Act as amended in December 1970, and

for assistance in special areas, under the Department of Regional Economic Expansion Act (originally authorized under the Government Organization Act, 1969).

A broad region including some portion of all provinces was designated for the purpose of the Regional Development Incentives Act as a result of a series of con-

sultations between the department and the provincial governments. The original designations were for a three year period ending June 1972, but have now been extended to December 1973. The special eastern Ontario - western Quebec region originally designated for the period January 2, 1971, to July 1, 1972 has been extended to June 30, 1973.

Special areas within the designated region for the Regional Development Incentives Act are naturally eligible for assistance from that source. In addition, comparable assistance is available under the terms of the Department of Regional Economic Expansion Act in special areas outside these designated regions.

From the program's inception to December 31, 1972 the total number of net accepted offers was 1,957 and the estimated value of the incentives involved is \$324.4 million. It is estimated that the net accepted offers to December 31, 1972 under the current program (i.e. RDIA and special areas) will result in approximately 81,752 jobs over the next few years as the projects are completed and reach full production.

The expenditure pattern by years under RDIA and special area incentives is:

	<u>Budgetary</u> <u>(\$Millions)</u>
1969/70	-
1970/71	12.9
1971/72	36.3
1972/73 (estimate)	103.7

R.D.I.A.

Net accepted offers and estimated employment
up to December 31, 1972

Distribution by Province

PROVINCE	TOTAL NET ACCEP- ED OFFERS (\$)	% OF TOTAL	ESTIMATED JOBS	% OF TOTAL
Newfoundland	\$ 8,564,790	2.64	1,963	2.40
P.E.I.	3,616,531	1.11	778	.95
Nova Scotia	40,075,796	12.36	5,720	7.00
New Brunswick	29,100,478	8.97	5,626	6.88
EAST	81,357,595	25.08	14,087	17.23
Quebec	149,686,070	46.15	49,151	60.11
Ontario	39,577,214	12.20	6,775	8.29
CENTER	189,263,284	58.35	55,926	68.40
Manitoba	17,167,997	5.30	5,964	7.30
Saskatchewan	7,392,948	2.27	2,344	2.87
Alberta	25,479,185	7.86	2,253	2.76
B.C.	3,728,404	1.14	1,178	1.44
WEST	53,768,534	16.57	11,739	14.37
TOTAL	\$ <u>324,389,413</u>	<u>100.00</u>	<u>81,752</u>	<u>100.00</u>

R.D.I.A.
 Capital Costs and Estimated Employment
 related to Accepted Offers,
 to December 31, 1972
 Compared with Manufacturing Capital Expenditures (1)
 over a 3 year period (1970-72) and manufacturing
 employment in 1971

Province	No. of Accepted Offers	(\$ Millions)			Estimated Employment	Total 1971 manufacturing Employment	Estimated employment as a % of Total 1971
		Capital Cost-RDIA accepted Offers	Capital Expenditures Manufacturing 1970-72	Capital Cost as a % of Capital Expenditure			
Newfoundland	61	22.8	262.0	8.70	1,963	18,000	10.91
P.E.I.	34	9.6	4.2	228.57	778	4,000	19.45
Nova Scotia	119	181.1	543.8	33.30	5,720	40,000	14.30
New Brunswick	139	71.7	338.1	21.21	5,626	34,000	16.55
Quebec	1,192	843.9	1,827.2	46.19	49,151	578,000	8.50
Ontario	113	234.1	4,366.7	5.36	6,775	840,000	.81
Manitoba	174	65.4	216.4	30.22	5,964	52,000	11.47
Saskatchewan	47	31.4	68.3	45.97	2,344	19,000	12.34
Alberta	47	139.9	440.0	31.80	2,253	60,000	3.76
B.C.	31	16.4	1,125.1	1.46	1,178	150,000	.79
Total	<u>1,957</u>	<u>1,616.3</u>	<u>9,191.8</u>	<u>17.58</u>	<u>81,752</u>	<u>1,795,000</u>	<u>4.55</u>

1. Includes actual expenditures 1970, preliminary actual 1971, and revised intentions 1972. (excludes repair expenditure)

Other Industrial Development Programs

In addition to the ADIA, RDIA and special area incentives for individual firms as set out above the Department is also involved directly with provincial governments in contributing to joint industrial studies and contributions to support regional development. This includes such items as the New Brunswick Multiplex Corporation, the Canada-Manitoba-Gimli Agreement (covering the Canadian Forces Base, Gimli) the Atlantic Management Institute, the Newfoundland and Labrador Development Corporation, and Metropolitan Area Growth Investments Limited in Halifax-Dartmouth.

To complement the industrial incentives program, the New Brunswick Multiplex Corporation Limited was established as a federal-provincial crown corporation, under the terms of a formal agreement between the two governments dated February 2, 1971. Its main object was to develop preliminary plans for the creation of a metal-working industrial complex centred at Saint John, and to promote such plans by discussion and negotiation with private industry at home and abroad. The directors of the corporation were also asked, if in their opinion the complex was found to be feasible, to prepare a detailed plan for its establishment, a forecast of the capital and operating expenses to implement it, and a cost estimate of any proposed financial incentives to private industry by way of grants, loans or guarantees. During the fiscal year 1971-72, attention was focused on the development and execution of promotional plans, including initial international promotion.

The agreement to establish the Canada-Newfoundland and Labrador Development Corporation was signed in July 1972. The corporation, with head office in St. John's, is to be controlled jointly by Newfoundland and Canada. It is hoped that the corporation will improve substantially the operating capability of small and medium-sized businesses in the province by providing industrial intelligence; management consulting services; project information; loan financing to establish, expand or modernize businesses; and equity financing. Under this agreement, Canada will provide the corporation with a revolving loan fund not to exceed \$20 million and Newfoundland will provide up to \$2 million, initially for use as equity capital.

The agreement to establish Metropolitan Area Growth Investments Limited was signed in Halifax on September 22, 1972. The company will be jointly owned and controlled by the Federal government and the province of Nova Scotia, and will have authorized share capital of \$20 million. The purpose of the corporation is to combine a substantial pool of equity capital with top quality business management charged with the

responsibility of earning profits in business in the Halifax-Dartmouth Special Area. It is expected that most of the business of the company will be conducted through subsidiary corporations purchased or established for the purpose. The corporation is limited to investing only in businesses centred in the Halifax-Dartmouth area.

For these studies and projects the Department has spent to date:

	<u>Budgetary</u> (\$Millions)	<u>Loans</u> (\$Millions)
1969/70	-	-
1970/71	-	-
1971/72	2.5	-
1972/73 (estimate)	1.9	16.0

THE INFRASTRUCTURE ASSISTANCE ACTIVITY

The infrastructure assistance program includes:

special area infrastructure, such as water and sewage systems, industrial parks and schools;

highways outside special areas (Atlantic only);

Cost-sharing, 50-50, the Maritime Resource Management Service at Amherst, N.S.;

The carry-over portion of Atlantic Development Board infrastructure projects and trunk highway program.

Total expenditures under this activity:

	<u>Budgetary</u> (\$Millions)	<u>Loans</u> (\$Millions)
1969/70	39.8	39.8
1970/71	107.1	68.6
1971/72	96.1	33.2
1972/73 (estimate)	96.0	50.9

The two major programs being carried out under this activity are:

Special Area Infrastructure

Highways outside Special Areas (Atlantic only)

The work under these items is carried out through special federal-provincial development plan agreements. The Special Area infrastructure program represents a concentration of federal government assistance to promote economic expansion in selected areas by increasing their attractiveness as locations for new job creating industries. The program includes such projects as water and sewer systems, industrial land assembly, land banking and servicing and assistance to educational infrastructure. Currently some 20 communities have been designated as Special Areas for infrastructure;*

The Special Areas now designated, by Province, are as follows:

Newfoundland; St. John's, Corner Brook, Burin, Happy Valley, Come-by-Chance, Gander-Grand Falls, Stephenville, Hawkes-Bay-Port aux Choix;

Nova Scotia; Halifax-Dartmouth, Strait of Canso;

New Brunswick; Moncton, Saint John;

Quebec; Quebec City, Trois Rivières, Sept Isles-Port Cartier, Lac St. Jean, St. Scholastique;

Ontario; Renfrew, for Incentive grants only;

Manitoba; The Pas;

Saskatchewan; Meadow Lake, and for Incentive grants only - Regina and Saskatoon;

Alberta; Lesser Slave Lake;

Every agreement has provision for a joint federal-provincial Liaison Committee of officials charged with the ongoing responsibility of administering the agreements. Generally, these committees operate under the same terms of reference in all Special Areas with some exceptions in their operation to allow for differences in provincial administrations.

* Note - Three communities - Regina, Saskatoon, and Renfrew have been designated as Special Areas for Incentive Grant purposes only.

Some agreements also provide for a joint planning committee in addition to the liaison committee. These joint planning Committees are generally responsible for an overall planning and program function either within the special areas or within the province.

Expenditures under the special area agreements are grouped under six headings:

- economic
- municipal services
- schools
- transportation
- social development
- land acquisition.

On a fiscal year basis the pattern of payments made to the provinces is:

	<u>Budgetary</u>	<u>Loans</u>
	(\$Millions)	
1969/70	-	-
1970/71	66.0	42.1
1971/72	57.5	27.8
1972/73 (estimate)	62.9	48.4

There are six types of special areas:

Major existing urban centres in eastern Canada where faster growth can have major repercussions and which will be a focal point in the improvement in employment in the region as a whole. The plan for these areas provide for grants and loans to the provinces for roads, bridges, water and sewer systems, serviced industrial and residential land, schools, tourist facilities, industrial parks and other facilities to strengthen the economic and social effects (St. John's, Moncton, Saint John, and Halifax-Dartmouth are examples).

Centres where growth potential stems largely from their location in relation to natural resources. Plans call for both key infrastructure development and financial assistance to commercial undertakings (e.g. Corner Brook, Canso).

Centres in Newfoundland that represent areas to which people are moving from the out-ports and where it is planned to provide community infrastructure, including serviced residential land and schools, to facilitate their resettlement (e.g. Come-by-Chance).

Centres in the mid-northern prairie provinces, where there is considerable potential for development of resource-based industries, and which will provide a focal point for improvement of opportunities for the severely disadvantaged. Plans call for community infrastructure, social adjustment measures, and the development of new jobs particularly in the wood-based industries (e.g. The Pas, Meadow Lake).

The fifth category covers situations where it is necessary to provide industrial incentives over as wide a range as possible, because of particular economic circumstances of the larger area (e.g., Regina, Saskatoon).

The last category of special areas is one where initial processing operations in particular can be encouraged in addition to industry in general (e.g., Lac St-Jean and Renfrew-Pembroke).

The terms and conditions of special areas agreements do not differ substantially from one province to another. In all of them there is provision for the federal government to cooperate with the provinces and to plan and execute projects that relate to the municipal level of government.

The highways program has been confined to the Atlantic Provinces. In 1969 the department assumed responsibility for the carry-over portion of the trunk highway program entered into previously by the Atlantic Development Board. In 1970/71 Cabinet approved a further highway program of \$48.0 million for the department to carry out with the Atlantic Provinces, and in 1971/72 an additional program of \$60 million was authorized. P.E.I. was excluded from these programs as highways are included in the FRED Plan in Prince Edward Island. Expenditure on highways has been:

	<u>Budgetary</u> <u>(\$Millions)</u>
1969/70	8.1
1970/71	31.5
1971/72	36.2
1972/73 (estimate)	31.1

Maritime Resource Management Services

A federal engineering services unit at Amherst, Nova Scotia, was first established in 1949 in association with the Maritime Marshlands Reclamation Act.

Since that time, the scope of its work has broadened considerably to cover such diverse activities as land use planning, watershed planning, topographical studies and various technical services in the fields of drafting, surveying, designing, hydrology, soil conservation, construction, and photography.

The unit was inherited by DREE upon its formation in 1969. On June 9, 1972, an agreement was signed with the three Maritime provinces under which responsibility for the Unit was transferred to the Council of Maritime Premiers on October 1, 1972, on a 50-50 cost-sharing basis with the federal government for a term of five years from April 1, 1972.

Costs are now shared 50-50 by DREE and the three provinces, with the proviso that the federal contribution will not exceed \$2,000,000 over the five-year life of the agreement, nor exceed \$450,000 in any one year. The Maritime provinces pay their share in proportion to the use they make of the services provided, with each Province guaranteeing a certain minimum amount.

Other Infrastructure Projects

In 1969 the department also assumed responsibility for agreements made in 1966 under the Maritime Marshlands Rehabilitation Administration with the provinces of Nova Scotia, New Brunswick and Prince Edward Island, whereby the provinces would assume responsibility for protective works for approximately 100,000 acres of agricultural marshland in the Maritime provinces as of March 31, 1970. Late in 1969 the provinces agreed to accept payments in lieu of upgrading certain of the works and in March 1970 payment was made and transfer of authority occurred.

Expenditures for capital works and contributions totalled over \$3.5 million in 1969-70 alone.

Finally, the department has made expenditures to carry out Atlantic Development Board infrastructure projects (other than highways) for which the department assumed responsibility starting in 1969/70. Expenditures were:

	<u>Budgetary</u> (Millions)	<u>Loans</u>
1969/70	25.5	4.6
1970/71	7.1	0.3
1971/72	2.4	0.3
1972/73 (estimate)	2.0	0.5

Power Development

The Atlantic Provinces Power Development Act (1958) provided for agreements between Canada and the Atlantic Provinces, and for subsidiary agreements covering specific projects between The Northern Canada Power Commission and the provincial power commissions concerned, whereby assistance could be provided in respect of the generation and transmission of thermal electric power. This assistance took the form of long-term loans to cover the cost of constructing thermal power plants and high voltage transmission lines, and the payment of a subvention on coal mined and used in the Atlantic provinces for the generation of electricity. The loans in connection with thermal power plants are repayable over the 30-year period following the completion of construction; those relating to transmission lines are repayable over 40 years.

In 1969, as a result of a review of the provisions of the APPDA, it was decided to terminate the financing of projects under the act. Through agreement with the governments of Nova Scotia and New Brunswick, the payment of coal subventions under the act was discontinued as of December 1, 1969, and the federal government made a lump sum payment to each province in lieu of future subventions. In the case of Nova Scotia this payment was \$3,100,000, and New Brunswick \$1,500,000.

Following this, in May 1970 the Minister wrote to the Premiers of Nova Scotia, New Brunswick and Newfoundland advising them that this department was formally discontinuing the financing of projects under APPDA. The Minister also indicated that the department would be willing to consider appropriate assistance to individual power projects (in the Atlantic provinces) on their own merits.

At the present time discussions are being held concerning a power intertie between Nova Scotia and New Brunswick and a submarine cable linking Prince Edward Island to the mainland.

Expenditures have been:

	<u>Expenditures</u>	<u>1969/70</u>	<u>1970/71</u>	<u>1971/72</u>
Budgetary		6.2	2.5	-
Non-Budgetary		35.2	26.2	5.0

SOCIAL ADJUSTMENT AND RURAL ECONOMIC DEVELOPMENT

Under this activity the department carries out a group of social adjustment and rural development programs that comprise the third main thrust of the department's work. These programs are designed to facilitate access to productive employment opportunities in slow-growth regions by assisting the provinces in social adjustment measures, and by improvements in the productivity and efficiency of resource utilization to provide employment in rural areas.

This activity comprises programs carried out under continuing legislation assigned to the department as well as a number of programs in which the department is only responsible for carrying agreements through to completion. The following programs make up this activity:

ARDA (Agricultural & Rural Development Act) - continuing legislation;

Special ARDA - continuing legislation;

PFRA (Prairie Farm Rehabilitation Act) - continuing legislation;

FRED Plan (Fund for Rural Economic Development Act) - Legislation repealed;

NEWSTART - being phased out;

Newfoundland Resettlement - current program goes to 1975 under a federal-provincial agreement.

ARDA (Agricultural and Rural Development Act)

The general ARDA program provides cost-sharing agreements with the provinces on programs and projects designed to improve opportunities for increased income and employment of people in rural regions. This includes the more efficient use and greater development of rural land and conservation of water

supplies and improvement of soil, diversification of rural economic activity and help to people with the related programs of adjustment. The current programs are carried out in all provinces except P.E.I., where the comprehensive FRED plan is in operation.

Expenditures made by the department under general ARDA are as follows:

	<u>Budgetary</u> <u>(\$Millions)</u>
1969/70	24.5
1970/71	18.1
1971/72	14.5
1972/73 (estimate)	26.6

Some idea of the nature and emphasis of the program by province can be gained from the following brief comments. Further detail is provided in separate provincial reviews:

Newfoundland - Continuing ARDA III activities include a comprehensive agriculture program, an extension of rural community water supply for industrial purposes and a small program in the Argenticia-Placentia area comprising tourist and recreation projects. Moreover, plans are almost completed for a major fisheries program under the agreement.

Nova Scotia - ARDA III programs in course of implementation include Agriculture, land consolidation and improvement, forestry, wildlife, rural adjustment and tourism, and one project for coal reclamation from mine waste dumps in the Stellarton area. Planning for extensions to these programs and for new activities under ARDA III continues.

New Brunswick - Current programs under ARDA include soil and water conservation, a resource industry development program comprising two sub-programs, one in connection with livestock, the other for applied research and development in agriculture. Financial support was also given to regional development associations; for the provision of provincial rural development field staff and to extension services and research projects related to the counselling of rural families.

Quebec - Major activities have been related to resource development work such as agricultural development, forest activities, and tourism development.

Ontario - Projects under this program have covered assistance for agricultural land use adjustment and land improvement, grants for rehabilitation, and moving allowances, to lower income families abandoning their farms; financial assistance to farm woodlot operators; development of public works; incentives for the expansion of certain manufacturing or processing facilities; and a grant to the Indians of the Manitou Rapids Reserve for the production of wild rice. The ARDA lll agreement provides for continuation of projects but provides also for assistance to rural enterprises when their establishment or expansion provides more employment for rural population.

Manitoba - Major expenditures have covered water development projects, including a large water drainage project. Assistance also included improvements to several recreational areas, training programs for people of native ancestry, extension efforts to farmers and fishermen, and incentive payments for forage crops in association with measures to check erosion.

Saskatchewan - The main emphasis is on soil and water conservation projects, ground and surface water studies, resource development programs such as community pastures and forage development, and recreation and tourist projects. Activities aimed at increasing opportunity among native people also account for a substantial part of the program.

Alberta - The current agreement includes public and private range land improvement, grazing reserves development, forage crop improvement, livestock water supply, veterinary clinics, alternate land use, forest lands improvement, and rural information and market research.

British Columbia - The emphasis is shifting from rehabilitation of irrigation systems and the establishment of new water supply systems to programs which are more directly related to increasing the economic opportunities available.

Prairie Farm Rehabilitation (PFRA)

The Prairie Farm Rehabilitation Act was passed in 1935 to apply initially for a 5 year period. The Department of Regional Economic Expansion was given responsibility for the organization in 1969. As originally passed, the act provided assistance for the rehabilitation of agricultural lands in Manitoba, Saskatchewan and Alberta seriously affected by drought and soil drifting. It was amended in 1937 to provide for land use adjustment and resettlement programs, and again in 1939 to remove the five-year limitation. In 1961, the PFRA program was extended to include all agricultural areas of the three prairie provinces.

Water conservation on individual farms and land use adjustment have historically been major activities of PFRA and remain as significant considerations, even though the program has been broadened to accommodate large-scale irrigation and reclamation projects and tree distribution for shelter belt purposes. However, there has been a recent change in the focus of the organization's efforts. Consistent with a Cabinet decision of 1970, PFRA, while remaining a separate entity is gradually shifting its emphasis to develop the organization as an instrument for implementing various adjustment and development programs in western Canada. The more significant changes relate to the agricultural service centres and its role in supporting other Departmental programs such as ARDA and special areas. Included in its proposed programs is a major program of irrigation rehabilitation in southern Alberta.

From its headquarters in Regina, the PFRA administration services the three prairie provinces by providing direct assistance to individual farmers, and under a variety of agreements, working cooperatively with the provinces, municipalities and other federal agencies in land use and water development projects.

This organization employs almost 1,100 persons in the three eastern Provinces. The expenditures under the program since 1969-70 are:

	<u>Operating</u>	<u>Capital</u> (\$Millions)	<u>Loans</u>	<u>Totals</u>
1969/70	10.0	6.9	-	16.9
1970/71	11.1	3.4	-	14.5
1971/72	11.3	3.5	0.2	15.0
1972/73 (estimate)	11.7	17.3*	1.2	30.2

* includes Alberta irrigation payment.

Land Use Service - This service was originally developed to remove submarginal land from cereal crop production. In this regard PFRA now operates 95 community pastures. These pastures cover approximately 2.5 million acres and provide grazing for some 175,000 head of cattle.

Water Development Service - This service provides technical and financial assistance for the development of land and water resources for agricultural purposes. Projects helped

under this program include individual and neighborhood farm dugouts, stock watering dams and irrigation works. Assistance has been provided for approximately 100,000 dams and dugouts, and close to 6,000 irrigation projects since the inception of this service in 1935. Of this total, 1,268 have been small community dams or irrigation projects.

The PFRA Tree Nursery at Indian Head, Saskatchewan, produces and distributes tree seedlings and cuttings for farmstead and field shelterbelt plantings in all three provinces.

In southwest Saskatchewan, PFRA has constructed 25 water storage facilities that provide sufficient capacity to allow the irrigation of 40,000 acres. PFRA continues to maintain and operate the storage works as well as six of the associated irrigation projects.

On the Bow River project in southern Alberta, PFRA structures enable the irrigation of 120,000 acres of land.

Engineering Service - The PFRA engineering service is responsible for investigation, planning, design and construction of various works related to water development, irrigation and infrastructure programs. It also provides technical assistance to other PFRA offices responsible for the operation and maintenance of projects in which the federal government has an interest, as well as outside agencies engaged in large river basin developments of an inter-provincial or inter-national nature. These agencies include the International Joint Commission, the Prairie Provinces Water Board, The Greater Winnipeg Floodway Advisory Board, and the Saskatchewan-Nelson Basin Board.

Project offices are located at Lethbridge and Cutbank to operate and maintain the St. Mary Irrigation Project and the South Saskatchewan River project respectively. Three regional offices are located at Winnipeg, Regina, and Calgary to serve each of the prairie provinces.

Major projects include the Gardiner and Qu'Appelle River Dams in Saskatchewan, the St. Mary Irrigation project in Alberta and the Shellmouth Dam - Portage Diversion project in Manitoba. The Gardiner Dam is the largest earthfill dam in Canada and combined with the Qu'Appelle Dam creates an 8,000,000 acre-foot reservoir which provides water for irrigation, power production, and industrial, domestic and recreational uses. The St. Mary Irrigation project involves works sufficient to irrigate nearly 500,000 acres in southern Alberta. The Shellmouth Dam-Portage Diversion Project was

completed under a cost-sharing agreement between Canada and the Province of Manitoba and provides flood control and water conservation works on the Assiniboine River.

Current Emphasis - As mentioned earlier, a cabinet decision of 1970 directed a shift in the emphasis of PFRA to develop as an instrument for implementing adjustment and development programs in western Canada. The more important changes with respect to this shift in emphasis relate to the Agricultural service centres and the ARDA and special area programs.

The agricultural service centres program has been introduced to develop basic infrastructure facilities, particularly water supply and sewage disposal, in selected communities on the prairies which function as major service centres for the surrounding agricultural areas. These facilities will be financed by the federal government on the basis of 50 per cent grant and 50 per cent loan. PFRA will be responsible for supervising the construction of required facilities.

With respect to the ARDA and special area programs, provision is made in agreements covering these programs to use, as part of the federal contribution, the services of PFRA. To date PFRA has been involved in assisting with the provision of certain infrastructure projects in both the Lesser Slave Lake special area and The Pas special area.

The department has recently negotiated with Alberta for the rehabilitation of certain irrigation works in the southern portion of the prairies. These negotiations stem from a request made by Alberta in 1968 that Canada share in the cost of a \$50-\$60 million program of rehabilitation of the entire irrigation system in the province. In response to this request, the department has negotiated with Alberta a rehabilitation program by PFRA of up to \$20 million and a cash contribution of \$6.2 million on the condition that the province assume responsibility for the federally-owned Bow River and St. Mary projects. The rehabilitation of works to be undertaken by PFRA, will be started during the current fiscal year.

Comments on PFRA Programs

Until recently, PFRA activities were primarily related to water conservation, irrigation and reclamation and land use adjustment through its community pasture program. This emphasis is shifting but these still remain as significant operations.

Community pastures now cover slightly over 2.5 million acres and provide grazing for approximately 175,000 head of cattle. This represents 6.3 per cent of improved and unimproved pasture lands and 2.8 per cent of the total cattle population (1970-71 figure) in the three prairie provinces. However, it should be noted that except on four Indian reserves there are no PFRA pastures in Alberta. In Saskatchewan and Manitoba, they have been established in limited areas and essentially reflect the development of sub-marginal land withdrawn from cultivation, for grazing purposes. In terms of sub-regional distribution, the bulk of community pastures development has taken place in Saskatchewan, particularly in the southern or open plains area. Some of the later development took place on the northern fringe of the prairie region and available land on Indian reserves. This extension of the program to the northern park areas reflected a policy of development rather than adjustment or rehabilitation. By 1971, 70 pastures were located in Saskatchewan and only 19 in Manitoba.

A significant result of the establishment of community pastures has been the control of soil drifting on sub-marginal lands, and the provision of stable summer grazing for local farmers. Therefore, while not especially significant compared to the prairies as a whole, the community pasture program has been very beneficial to farmers in those limited areas of the prairies where the program is concentrated, particularly farmers with small holdings who depend on livestock for supplementing their income.

Under the water development program, a total of approximately 100,000 small dams and dugouts have been installed, in addition to 1,268 community projects since 1935. This is a significant contribution towards the development of stable water supplies on the prairies. Although the supply, in many cases, is adequate only for small scale livestock operations, the objective of the program has not been to encourage large scale specialization but to help farmers develop a diversified production base. The program has been particularly important in areas where adequate winter supplies of water are a critical factor in maintaining livestock herds on a year-round basis.

With respect to irrigation projects, in southwestern Saskatchewan, PFRA has constructed water storage facilities with sufficient capacity to permit irrigation of approximately 40,000 acres of which about 26,000 are in the six irrigation projects operated by PFRA. The Bow River project in southern Alberta, which is operated by PFRA, covers over 125,000 acres divided as follows: 95,000 acres under direct control, 25,000 under provincial control and the remaining 5,000 under the control of the Blackfoot Indian Reserve. The St. Mary irrigation project involves works sufficient to irrigate nearly 500,000 acres in southern Alberta. While perhaps not significant in terms of the total amount of acreage in crop in the Prairies, these projects are of significant benefit to the areas where they operate, which are extremely dry. In addition, the facilities operated by PFRA provide the basis for entire irrigation systems, operated in most cases by irrigation districts controlled by the farmers concerned.

Under a 1958 federal-provincial agreement PFRA was responsible for the planning, design and construction of the South Saskatchewan River Project which as mentioned earlier created an 8 million acre-foot capacity reservoir. This project will enable the irrigation of up to 500,000 acres of irrigable land. In addition, it provides one of the main hydro-electric facilities for the generation of power in Saskatchewan. The reservoir with a 450 mile shoreline provides a significant basis for recreational activities in the area. Finally, in addition to flood control, the works provide a stable water supply for the cities of Moose Jaw and Regina as well as for the adjacent agricultural areas.

FRED (Fund for Rural Economic Development)

Under FRED, agreements have been signed with four provinces for five separate plans.

Prince Edward Island - the P.E.I. development plan.

New Brunswick - the Mactaquac and Northeast New Brunswick plans.

Quebec - The Gaspé Plan.

Manitoba - The Interlake Plan.

These agreements with the provinces provide a means of financing and carrying out comprehensive development programs. Each plan incorporates specific plans applicable to the region involved and its potential for development.

With the enactment of the Government Organization Act of 1969 and the simultaneous repeal of the FRED Act, the department became responsible for carrying the agreements through to completion.

In addition to DREE's involvement, other federal departments and provincial governments commit and expend funds under the FRED agreements. Other federal departments have committed for expenditure over the life of the five FRED plans about \$202.0 million with the four provincial governments contributing about \$649.0 million.

The department's expenditures against these agreements are:

	<u>Budgetary</u> (\$Millions)	<u>Loans</u>
1969/70	22.2	0.4
1970/71	35.0	1.7
1971/72	52.5	2.8
1972/73 (estimate)	58.0	6.0

Prince Edward Island FRED Plan

The Prince Edward Island Comprehensive Development Plan was the last federal-provincial agreement signed under the FRED Act and is the most comprehensive program for social and economic development undertaken under the FRED plans.

The basic agreement covers a fifteen year period from April 1, 1969 to March 31, 1984 and commits \$225 million of federal funds. A first memorandum of implementation commits \$125 million of federal funds, over a five to seven year period, toward the implementation of a broad range of programs under a jointly agreed development strategy.

The plan is administered under a federal-provincial joint advisory board on which the provincial Premier and the Deputy Minister of the Department of Regional Economic Expansion act as co-chairmen. Joint management of the plan is achieved through joint plan managers who are responsible for program development and administration.

The plan is based on a development strategy for the province and covers a broad range of inter-related programs aimed at full economic exploitation of the Island's natural resources, extension of education and social development services, and increased efficiency and expansion in processing and manufacturing industries.

Major programs covered by the Agreement include:

Integrated Land Management - establishment and operation of a comprehensive system of land use planning and developmental control.

Development of Land Based Resources - programs in agriculture, tourism and forestry aimed at an orderly development of these resource based industries.

Fisheries - projects to increase the efficiency of the inshore fishery and raise the income of fishermen.

Education - consolidation and reform of the primary and secondary school system, establishment of one university and a new college of Applied Arts and Science.

Adult Education and Vocational Training - expansion of vocational training opportunities in the province.

Housing - Urban Development and Community Services - programs to assist low income families with home ownership and improvement, to help finance sewerage collection and treatment facilities in urban centres, and to undertake development programs in Charlottetown and Summerside.

Transportation - the reconstruction and paving of a trans-provincial collector highway and resource roads.

Industrial Waste Disposal - the provision of effluent treatment facilities at major food processing plants.

Manufacturing and Processing - assist toward industrial consolidation and expansion.

Market Development and Short Term Credit - consolidation of the provincial lending activities in the resource industries and establishment of a market development centre.

Implementation - provision of a joint planning management system, development of provincial implementing departments and agencies, public involvement, and program evaluation.

Mactaquac Area, New Brunswick FRED Plan

This plan covers parts of Carleton and York Counties along the Saint John River in New Brunswick. The period covered by the agreement is September 20, 1966 to September 20, 1976. However, the major part of the work called for has now been completed.

The plan was originally designed in order to reduce disparities in the region by taking advantage of opportunities provided by the Mactaquac Dam, which was built under ADB assistance. The building of the dam entailed flooding of a considerable portion of the Saint John River Basin. The FRED plan provided assistance in moving people affected by the development, in developing employment opportunities in the area in recreational and industrial activities and in providing the necessary infrastructure.

An amendment to the plan in October 1970 authorizes the creation of a management committee to supervise implementation. It consists of a program director appointed by each party to review and recommend all development projects to the two governments. The amendment also gave emphasis to the improvement of the area's forest industry and the completion of major recreational and historical development projects. Highlights of the plan are:

Recreational Development - Mactaquac Provincial Park, constructed under the plan was officially opened in 1970. Work continued after that to construct additional facilities. At Kings Landing Historic Settlement, restoration work is in progress on buildings, water and sewage facilities have been installed, fences erected, and roads built.

Industrial Development - The St. Anne-Nackawic Mill received considerable assistance under the plan. The installation of infrastructure facilities associated with the new pulp mill and with the new village of Nackawic is also covered by the plan as well as a program of upgrading access roads for the wood-using industries.

Land Use Adjustment - This program which covered plans for disposing of a number of properties and counselling for property owners moving from the area, has now been completed.

Northeast New Brunswick FRED Plan

This plan applies to northeast New Brunswick and covers the period September 20, 1966 to September 20, 1976. The plan was subject to a major review during 1971 by a federal-provincial committee which resulted in a revised agreement being signed in September 1972.

The revised plan allows for greater flexibility in the use of funds by naming a provincially located federal-provincial management committee to make day to day decisions.

Examples of subjects which the revised FRED plan will deal with include industrial infrastructure, support for the operation of regional industrial development commissions, the identification and promotion of industrial opportunities, advisory services to local management, financial incentives to certain types of industries not qualifying under the existing RDIA program, development of the Acadian Village, forest development and community projects. The agreement also provides for funding for additional schools, counselling and information services, training and work orientation assistance, special housing assistance, compensation for assets for persons relocating to areas with greater employment opportunities and support for district planning commissions and municipal infrastructure.

The FRED Gaspé Agreement

This agreement covers the period April 1, 1968 to March 31, 1976 and applies to the Lower St. Lawrence, Gaspé and Isles de la Madeleine area. The agreement was amended in September 1971 and extended three years to the present termination date. Other revisions allowed for introduction of new and changed programs and increased the department's commitment by \$67 million. The plan calls for the social and economic rehabilitation of the region through the modernization of the traditional primary sectors (agriculture, fisheries and forestry); the establishment of new activities in the mining and tourism sectors; a training and manpower adjustment program; and the acceleration of urbanization and the establishment of the services and infrastructure necessary to fulfill these main objectives.

Some examples of activities undertaken are:

assistance in the rationalization and modernization of forestry operations, through contributions towards the purchase of private and licensed forests, as well as programs of reforestation and silviculture treatment;

measures to diversify and improve the quality of production in the fishing industry, rationalizing fish landing and products processing, and intensifying research aimed at developing new enterprises, new products and new markets;

implementation of a comprehensive tourism development plan designed to attract and retain new visitors, and to develop three high-priority tourist resorts, and various other accommodation facilities.

Manitoba Interlake FRED Plan

A revised FRED agreement for the interlake region of Manitoba, which runs until April 1, 1977, was signed on October 13, 1972. The plan has been changed to place increased emphasis, during the final five years on development of livestock production and recreation facilities. These changes stem from a joint review of the first five years.

Under the revised agreement the planned level of spending does not change. However, funds have been shifted within the agreement to provide for the introduction of four new programs and an increase in spending on recreation development and on the Manpower Corps training program for disadvantaged people.

The new and expanded programs include:

Farm Development - this program offers direct government grants of up to \$2,000 to help eligible farmers in the lower and middle income brackets to acquire permanent livestock feeding and handling facilities.

Veterinary Clinics - this program provides for construction of veterinary clinics at Selkirk, Lundar, Ashern, Arborg and one other location.

Farm Water Services - this program will provide incentive grants of up to \$300 and technical and advisory services to help farmers establish or improve farm water and sewer systems.

Fisherman's Development - this program will include management services, small group workshops, and demonstration projects on improved gear and equipment for about 300 fishermen on Lakes Manitoba, Winnipeg, Winnipegosis, Waterhen, and St. Martin.

Recreation - an additional \$1 million has been allotted to recreation development, bringing the total for that program up to \$3.9 million. Funds will be spent on further development at Hecla Island Provincial park.

Manpower Corps - this program formerly totalled \$3 million and an additional 2.2 million will be allocated to step up the effort to provide basic training and work orientation which will prepare trainees for further vocational skills training or for regular employment.

A joint federal-provincial Advisory Board consisting of an equal number of representatives from each government manages the operation of the plan.

Special ARDA, Manpower Corps (Training Opportunity Program) and Other Social Adjustment Programs.

These programs are primarily directed to western Canada. In addition to the General ARDA agreements, special ARDA agreements have been signed by all prairie provinces. These agreements are designed to provide special assistance to disadvantaged people of native ancestry, living in rural areas where they constitute a substantial portion of the population. Over and above the more resource-oriented projects previously available to native people under General ARDA agreements, the special ARDA program, with the basic objective of creating additional job opportunities, provides financial and technical assistance for the establishment or expansion of viable commercial enterprises which will employ Indian people. The training opportunity Programs in the special areas are designed to enable unemployed and under-employed people, who do not qualify for existing manpower training programs, to develop occupational goals and life skills by exposing them to short-term work experiences and intensive counselling. Total expenditures for these programs including ARDA projects for people of native ancestry and Manpower Corps (training opportunity program) are:

	<u>Budgetary</u> (\$Millions)	
	<u>ARDA</u> <u>Native People</u>	<u>Manpower</u> <u>Corps</u>
1969/70	1.2	-
1970/71	1.7	0.2
1971/72	1.1	1.2
1972/73 (estimate)	7.1	1.8

New Start

The NewStart Program, established in 1966, was designed to provide terminal, experimental projects which would develop and test new methods of preparing the disadvantaged for useful employment. Under this program six provincial corporations were established with headquarters in:

Lac la Biche, Alberta
 Prince Albert, Saskatchewan
 The Pas, Manitoba
 Montague, P.E.I.
 Richibucto, New Brunswick
 Yarmouth, Nova Scotia.

The department assumed responsibility for this program in 1969 from the Department of Manpower and Immigration. The program is currently being phased out, and, in fact with the exception of New Brunswick, the New Start corporations have all now ceased operations. Expenditures have been:

	<u>Budgetary</u> (\$Millions)
1969/70	6.1
1970/71	5.6
1971/72	3.4
1972/73 (estimate)	1.7

Newfoundland Resettlement Program

The department became responsible for the federal interest in this program on April 1, 1970. The Department of Fisheries had previously been responsible. The aim of this federal-provincial program is to assist householders who wish to move from small, isolated outports to communities with better access to health and other social services, educational facilities and employment opportunities. The program is administered by the province. Expenditures have been:

	<u>Budgetary</u> <u>(\$Millions)</u>
1969/70	0.3
1970/71	0.9
1971/72	0.7
1972/73 (estimate)	1.6

