

"REGIONAL DISPARITY"

notes for an address to

The Geography Subject Council

Ottawa, Ontario

February 14, 1973

by

Garnet T. Page

Director General

Technical Services and Special Projects Division

DEPARTMENT OF REGIONAL ECONOMIC EXPANSION

HC
115
P313

"REGIONAL DISPARITY" ;

notes for an address to

The Geography Subject Council

Ottawa, Ontario

February 14, 1973

by

Garnet T. Page

Director General



Technical Services and Special Projects Division

DEPARTMENT OF REGIONAL ECONOMIC EXPANSION

INTRODUCTION

Your invitation asked that I describe the role and activities of the Department of Regional Economic Expansion. I intend, therefore, to present an overview of its full range of activities.

This is best done against the background of the general situation in Canada during the past twenty-five years. The Canadian economy experienced a generally high level of activity over the period 1946 to 1969. With the exception of a relatively short recessionary interval between 1957 and 1961, Gross National Product advanced steadily, the average annual rate of growth for the period being 8.5 per cent. In the same period, population grew from 12.3 million to 21.1 million, an increase of some 71 per cent; and, at approximately 8.2 million in 1969, there were almost 3½ million more people in the labour force than in 1946. G.N.P. per capita grew at an annual rate of 6.1 per cent. In dollar terms, personal income per person increased more than three-and-a-half times.

These economic advances continued to be marred by persistent regional inequalities in job opportunities and standards of living. Although there has been a slow process under way in the post-war years toward a narrowing of the extreme inter-regional income differences, the gaps are still quite significant. In 1969, for example, personal income per person in the Atlantic region was still less than 70 per cent of the national figure while in Quebec, the corresponding proportion was about 90 per cent.

Unemployment rates tell much the same story. In the Atlantic region and Quebec, the proportion of the labour force without work in the post-war years has been generally over one-and-a-half times the national average. Although there has been some decline in the Atlantic region's share of national unemployment, there has also been similar declines in the region's share of the total population and labour force.

Under-employment is also a major characteristic of the economically disadvantaged parts of the country. Labour force participation rates provide one measure of this. Between 1950 and 1970, participation rates in Canada rose from 53.7 to 55.8 per cent. Over the same period, the corresponding figure for the Atlantic region fell from 49.3 to 47.5 per cent. These figures suggest that the inadequacy of job opportunities is of a larger magnitude than indicated by the unemployment rates alone.

Shifts in the geographic distribution of population reflect another aspect of inter-regional differences in Canada. Outmigration from the Atlantic region, for example, averaged some 10,000 persons per year during 1946-56. Over the following decade, this number rose to about 20,000 annually. In overall terms, the Atlantic region accounted for 11.7 per cent of the national population in 1950; this share fell to 10.5 per cent in 1960, and to 9.4 per cent in 1970. There have been similar declines in Quebec, Manitoba and Saskatchewan; the major gains were in Ontario, Alberta and British Columbia.

Since 1949, total investment (private and public) in Canada increased by nearly 4½ times. Although there have been substantial increases in the volume of investment activity in all provinces, the rates have not been the same everywhere. As a per cent of total investment, the shares of the Maritime provinces, Quebec, Manitoba and Saskatchewan have declined, and those of the other four provinces increased. Substantially the same situation prevailed with respect to value added in the commodity producing industries.

These are some of the broad dimensions of regional economic disparities that have characterized the growth pattern of the Canadian economy in recent years. Some of the results of these disparities are that about one quarter of all Canadians, including most Indians, Métis and Eskimos are cut off from fair opportunities for education, employment, decent living conditions and effective participation in public affairs; and the problems of poverty, under-employment and unemployment exist in all parts of Canada. However, it is clear that effective solutions must have strong regional and area aspects because the problems and the opportunities for more employment and more earnings vary greatly in different parts of the country.

And these disparities are reflected in the problems which face provincial governments. While it is true that the provinces have wide powers of taxation, regional economic disparities cause a persistent inequality in the amount of

revenue directly available from taxation to the various provinces for expenditures within their proper jurisdictions. The problem is compounded in those provinces with widespread incidence of low income and high unemployment in relatively small populations.

The result of this inequality of provincial revenue is an outright inability to finance the essential services to the population, plus the necessary diversion of the available funds to one or more of a province's high-cost activities.

In conjunction with the provinces, the federal government has instituted and maintained a form of equalization payments as a partial remedy to this situation. There are many other federal programs that redistribute income. Payments to individuals, through such programs as Family Allowances and Old Age Security and Unemployment Insurance, are of more significance to poorer regions, in relation to the taxes they pay, than to the richer regions. Also, certain types of federal cost-sharing programs, such as hospital insurance and medicare, are a further factor in lessening the disparities in standards of services in different provinces.

Important as these transfers are, however, they can only serve to alleviate some of the problems of disparity. They do not enable the poorer parts of the country to make the extra investment necessary for economic growth. They can help to remove many of the worst effects of disparity, but they do not attack its causes to any great extent.

It is for this reason that the federal government, in co-operation with the provinces, has chosen to provide financing and programs to promote economic growth in those parts of Canada which are below average in economic and social terms.

THE DEPARTMENT IS FORMED

Prior to 1968 the federal government, in many cases with the co-operation of the provincial governments, had established a number of agencies and programs concerned with the encouragement of regional development and social adjustment in various parts of the country. In 1968, the government decided that the successful regional development it desired for Canada must be based on the co-ordination and integration of all these programs into an overall plan to reduce the economic and social disparities between provinces. In 1969, the Department of Regional Economic Expansion was created to do this, and gathered together, in the same headquarters and under the same authority, the then existing federal agencies and programs.

The Department's continuing responsibilities incorporate the Prairie Farm Rehabilitation Administration (PFRA) program, the Agricultural and Rural Development Act (ARDA) program, and the Newfoundland Resettlement program. It is also responsible for carrying to completion five programs under the Fund for Rural Economic Development (FRED), the Atlantic Development Board, the Canada NewStart program, the Area Development (ADA) program, the Maritime Marshland Reclamation Act program, and payments under the Atlantic Provinces Power Development Act.

The Department had to ensure the co-ordination and cohesion of the programs it had inherited, and to reorient them in line with the requirements of an integrated regional development policy, as well as establishing new programs designed to contribute to the creation of new jobs in areas where the growth rate was considered inadequate. These aims have required new legislation, as well as adjustments in many previous programs, and above all the establishment of a new strategy in regional development. This new strategy is designed to ensure joint action aimed at clearly defined and coherent goals, and to tackle the very sources of the problems by promoting in disadvantaged provinces and regions the conditions that will favour their own economic development.

The objective of this Department, in the context of other national objectives, is to facilitate economic expansion and social adjustment in areas of Canada requiring special measures to improve opportunities for productive employment, and the access of people to productive employment opportunities by assisting the provinces in social adjustment measures and by improvements in the productivity and efficiency of resource utilization.

The measures of progress towards this objective will be the extent to which certain ratios are improved, in the regions and areas where they are now particularly unfavourable, relative to the ratios in regions and areas of good economic

growth. Such ratios are the labour force participation rate, unemployment rate, and the rate of underemployment and low productivity employment, indicated by the ratio of household with earnings below a poverty level.

To work toward this objective, the Department of Regional Economic Expansion has been granted powers to make plans for federal action in special areas, and co-ordinate the carrying out of the plans; to make agreements with provinces for carrying out joint plans; to provide grants and loans to provinces so that they can establish, expand or modernize works and facilities required for economic expansion; and to provide various kinds of assistance to companies, so that they can establish, expand or modernize plants or other undertakings required for economic expansion.

The programs which the Department is administering are of a long-term nature. This is in recognition of the fact that regional disparities are not recent in origin and, by their very nature, cannot be resolved in a short period.

The Department's strategy is composed of three major and closely inter-related activities: industrial incentives, infrastructure assistance and social adjustment and rural development. The objective of the first is to create continuing productive employment by making investment in viable industry more attractive in the relatively slow-growth regions of the country. The second assists in providing additional social capital for the water systems, roads, housing, etc. which are necessary to facilitate economic

expansion and social adjustment in areas requiring special measures to realize their development capabilities. The third is to facilitate the access of people to productive employment opportunities through social adjustment as well as to improve their incomes through more efficient utilization of rural resources. These three programs thus represent integral parts of an overall economic expansion and social adjustment strategy.

INCENTIVES TO INDUSTRY

The Department's most basic program is to provide incentives to industry in the slow-growth regions. This, of course, is the main way to increase employment, and to raise the level of opportunities. Incentives can take various forms, but the main one is to make a grant of a part of the cost of establishing, expanding or modernizing a plant. This is done under the legislation called the Regional Development Incentives Act, that became effective in the summer of 1969, and which was the subject of major amending legislation in December 1970.

The essence of this important legislation is that it provides for a system of grants and loan guarantees to private industry to locate, expand or modernize their operations in slow-growth regions of Canada, and thereby, create new permanent employment.

Following discussions with a province, regions that are determined to require special measures to facilitate economic development may be designated as "designated regions" under this Act. The two general guidelines used to select these regions are that the existing opportunities for productive employment in the region are inadequate; and that the provision of development incentives will make a significant contribution to the economic growth of the region.

Certain regions in every province have been designated under this program. The present regions were originally designated for a period of 3 years, that is until July, 1972. Last June

this designation was extended a further 18 months, to December 31, 1973. In addition, southwestern Quebec, including Montreal, Valleyfield, Hull and St. Jean and the counties of Glengarry, Prescott and Stormont in Ontario were recently added for a special incentive which requires commercial production by December 1973, whereas the standard incentives are available for plants going into commercial production up to December, 1976.

This program provides three levels of incentive.

These are:

- (a) A 'primary development incentive' for the expansion or modernization of a facility;
- (b) A 'secondary development incentive' for the establishment of a new facility or the expansion of an existing facility to enable the manufacturing or processing of a product not previously manufactured in the operation.
- (c) A special incentive that supplements the above in the Atlantic provinces, except Labrador, and which is the maximum available in the new Quebec and Ontario regions.

The primary incentive grant can be for up to 20% of the approved capital costs of the facility to a limit of \$6 million. The secondary development incentive grant, which is based on approved capital costs and on the number of jobs created directly in the operation, can provide up to an additional 5% of the approved capital costs plus up to \$5,000

for each job created directly in the operation. The special incentive grant can be for up to 10% of the capital cost plus \$2,000 for each job created.

Thus the maximum total incentive in the Atlantic provinces, where all three incentives are available, is 35% of capital costs plus \$7,000 per job. However, this is qualified by certain other ceilings, which means that no DREE grant will amount to more than half the total capital employed in the operation, including working capital, or \$30,000 for each new job created.

I should make it clear that the program is one of start-up incentives. It does not provide for any continuing subsidy. It is a once-and-for-all grant to companies to start new production in a region where employment is most needed. The advantage of this kind of incentive is that it can balance any higher operating costs resulting from locating in a slow-growth region, such as costs of transport to market, against the reduction in capital costs that the federal incentives provide. The entrepreneur must decide for himself whether that grant lowers his capital costs sufficiently to offset the disadvantage that may be involved in locating or expanding in a slow-growth region.

Incentives offered under this program are paid in the form of a cash grant and are exempt from income tax. However, the amount of the incentive must be deducted from the capital cost for the purpose of calculating capital cost allowances for income tax purposes.

Incentives are also available in Special Areas. A Special Area may be within a Designated Region or outside it, and the designation of a special area permits the granting of incentives to primary and tertiary industries in cases where these are essential to the success of a development plan. Assistance to these industries is not provided under the standard incentives program.

The Special Areas should not be confused with the Designated Regions. The Designated Regions are simply where industrial incentives are available to secondary industry. The Special Area program provides for broader action in respect of industrial incentives, and I shall discuss other aspects of Special Areas in a few moments.

It is no use to think that we can get new industries to locate in all the most remote areas, and in every small town where jobs are scarce and the surrounding rural area is depressed. To get high levels of employment in a region, it has to have a great deal more industry. If this industrial development is possible, it is only realistic to consider that most of it will have to be in some of the cities and larger towns. The Department's legislation provides that an area can be designated for special action because of inadequate opportunities either in the area itself or in the region of which the area is a part. In other words, we recognize that the strong points in the region have to be developed and that, in co-operation with the provinces, the distinctive problems of different areas will be dealt with in quite a flexible way. That is how we will get the most results in total.

However, while the development of big centres is essential, this does not provide the whole answer. The need for the development of medium-sized towns as trading centres and smaller industrial centres is recognized. These can be an important part of the general development strategy. The further problem will be to see that people in the more remote areas have their chance to benefit from the developments. That will not be easy. It involves co-operation with the provinces in a variety of special adjustment programs. But it offers hope for better results than could possibly be achieved by concentrating on action only at the points where unemployment, underemployment and poverty are at their worst.

In May of last year, the legislation was amended to provide for the establishment of a new board which will advise the Minister on the administration of the Regional Development Incentives Act. Leading figures in Canadian business and industry have agreed to serve as member of this advisory board, and their advice plays an important role in helping to ensure that industrial incentives are administered as beneficially as possible for their purpose of creating new job opportunities in slow-growth regions of the country.

Thus the RDIA program is designed specifically to bring jobs to regions where growth is slow and unemployment high. To ensure that workers in the area and region can gain access to these jobs, we have made it a condition of any grant that the employer must co-operate with the appropriate Canada Manpower Centres

in training and recruiting his staff. To ensure that Canada Manpower Centres can take an early initiative on this, we give the Department of Manpower and Immigration all relevant details of each case as soon as offer of a grant from us is accepted.

SOCIAL ADJUSTMENT

Beyond this kind of co-ordination, however, we must recognize that the social adjustment needs of people in the slow-growth regions are frequently not met by national programs tailored to national priorities. Accordingly, we are ready to complement these programs wherever necessary, by facilitating the access of people to productive employment through social adjustment as well as to improve their incomes through more efficient utilization of rural resources.

The Department's efforts to facilitate social adjustment take several forms because of the different problems of human resource development and adaptation which characterize the various disadvantaged regions of the country. For example:

- i) the federal-provincial ARDA and FRED agreements provide for upgrading the skills and improving the mobility of rural populations so that they may benefit from new industrial employment opportunities and thus raise their standard of living; the ARDA program also assists people of native ancestry in disadvantaged areas through training, counselling and financial incentives to develop local initiative and entrepreneurship;
- ii) some Special Area agreements include projects for the creation of manpower corps to provide experimental training for people whose opportunity of obtaining access to employment is otherwise limited;

iii) The Newfoundland Resettlement Program facilitates the movement of people from remote communities to more attractive centres where opportunities for employment, education and social services are better;

iv) the Canada Newstart program experiments with new methods in preparing unemployed and underemployed people, in particular disadvantaged areas to take advantage of new or improved job opportunities.

In December 1970, another measure was introduced to provide further stimulus to economic expansion and employment creation efforts. This was the Special Development Loans Program, 1970, under which \$160 million was made available to the provinces in December 1970, to enable them to undertake beneficial capital projects additional to those previously planned for construction during 1970-71 or 1971-72. A similar program called the Employment Loans Program, 1971, under which a further \$160 million was made available, contained provision for the forgiveness of 75% of the cost of direct on-site labour to the end of May, 1972, was introduced in October, 1971. Both programs are administered by the Department.

SPECIAL AREA PROGRAMS

The Department also recognizes that, while direct financial encouragement to industry must be a major factor in its development strategy, it is far from being enough by itself if there are other bottlenecks present. The attractiveness of a location to industry also depends heavily on the availability of the workers required, on housing and the quality of many public services: on power, water, roads, railways, port facilities, sewers, schools, universities, research establishments, and so on. These latter are the infrastructure of the economy. Some of them are under federal jurisdiction, but most are provincial and municipal responsibilities.

In the regions that have suffered from prolonged slow growth and low incomes, it cannot be expected that provincial governments should find all the capital needed for the large infrastructure developments that must keep pace with new industrial growth. Therefore the Department can provide them with grants and loans for the additional infrastructure works and facilities necessary to expansion plans. The use of this assistance will be especially important at the main industrial centres of the region. The concept here is of an incremental contribution, by which we agree to make possible the things that are clearly needed, but which the province or municipality could not otherwise provide in a reasonable time.

One of the first operational tasks of the Department was to recommend to the Cabinet the places that ought to be designated as "special areas", where the Department under agreements with provinces provides encouragement and assistance to economic expansion and social adjustment in the slow-growth regions of the country. In general, these are areas where opportunities for productive employment are exceptionally inadequate; and represent the present assessment of the priority areas in which it should be possible over the next few years to make the maximum contribution to that purpose. The criterion is need, given the decision that area has real potential. It is a matter of determining, among the many areas that need help, those which show a relatively good potential which, once developed, would have an impact on the whole region and would be most likely to produce the maximum improvement in employment

opportunities and income. The Department's flexibility of approach is reflected by the 23 Special Areas designated in April, 1970. These special areas are of seven main types, as follows:

(a) In St. John's, Halifax-Dartmouth, Moncton, Saint John, Quebec City, and Trois-Rivières, where faster growth can have major repercussions throughout eastern Canada, the plans 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 of regional development incentives to industry.

(b) In Corner Brook, the Strait of Canso, Happy Valley, and Sept Iles-Port Cartier, where growth potential stems largely from their location in relation to natural resources and to transportation, the plans call for both key infrastructure development and financial assistance to commercial undertaking.

(c) For the remaining special areas in Newfoundland - Burin, Come by Chance, Grand Falls-Botwood-Gander, Stephenville and Hawkes Bay-Port au Choix - the joint plans provide community infrastructure, including services, industrial land and school, to facilitate the resettlement of people from the outports.

(d) Plans in the Lac St. Jean and Arnprior-Renfrew-Pembroke Special Areas, where new employment is particularly dependent on wood-based industries, call for the extension of financial assistance to the necessary commercial undertakings.

(e) The three northern special areas on the Prairies - The Pas, Meadow Lake and Lesser Slave Lake - were established largely to assist the employment and social adjustment of the large number of socially disadvantaged people, including particularly those of native origin, resident there. Plans call for community infrastructure, social adjustment measures and the development of jobs particularly in the wood-based industries.

(f) The Regina and Saskatoon Special Areas are ones which have enjoyed rapid growth in the past, but where recent problems in grain and potash marketing have caused serious problems. The plans for these areas provide incentive assistance to firms to develop new jobs.

(g) In the remaining Special Area - Ste. Scholastique - the establishment of the new Montreal International Airport will cause economic dislocation. The plan for this area, therefore, includes special measures to facilitate economic expansion and social adjustment.

FUND FOR RURAL ECONOMIC DEVELOPMENT

We are carrying on another program which began some years ago and which also has an area focus. I refer to the FRED program. There are five of these special rural area plans and programs. They include one for Prince Edward Island, one each for the Northeast of New Brunswick and the Mactaquac area of the same province, one for the Gaspé region in Quebec, and one for the Interlake area in Manitoba. These FRED plans are

primarily oriented to the rural aspects of regional development, and the present emphasis is concentrated on job creation and assistance to area residents to enable them to take advantage of new employment opportunities.

AGRICULTURAL AND RURAL DEVELOPMENT ACT

There are a number of other important ways in which our efforts must be directed to broader aspects of resource development and the opportunities and adjustments in rural areas. The first of these is through the extension of the ARDA program. In Ontario and British Columbia we have 1970-75 agreements which continue and in some respects broaden the shared-cost programs that have been operating successfully in these provinces. In particular, they are assisting farm enlargement and consolidation in Ontario, the improvement of irrigation districts in British Columbia, and the development of recreational potential in both provinces.

The needs of the other provinces are diverse and the ARDA programs have to be made more closely complementary with other federal and provincial development measures. For this purpose, five-year ARDA agreements have been signed. These are more general agreements than the preceding ones, and make it possible for each province to develop the kinds of program for its rural regions which will be most effective. In Newfoundland, considerable emphasis is given to the needs of fishermen. In Nova Scotia and New Brunswick, tourism development is given considerable priority. In Quebec it is envisaged that opportunities for intensive agricultural development will be helped.

In the Prairie Provinces, the new ARDA agreements will be used primarily to assist in the agricultural development and adjustment process that has been taking place in western Canada over the last few decades, and with which you are probably quite familiar. The major activities are concerned with land use, watershed development and general agricultural adjustment such as the shift from cereal grain production to livestock.

OTHER RESOURCE DEVELOPMENT PROGRAMS

There are, of course, other important resource development needs in the slow-growth regions. We have already taken action to meet some of these. In 1970, the Minister signed new agreements with each of the Atlantic Provinces to provide financial assistance to speed up very considerably the work which must be done to establish a proper land title system in these provinces.

The mineral industry is one of the important development possibilities in several slow-growth provinces. In New Brunswick we have an agreement with the provincial government whereby a geological and mineral exploration program can be carried out over the three years ending March, 1973. This agreement is now being renegotiated to extend the program to March, 1975. A similar program is in effect in Newfoundland. It is hoped that we may reach agreement with other provinces for programs of this type that will speed up mineral development and thus help realize the potential that exists in this resource sector.

The Department's attention to resource development is not confined to Eastern Canada. It includes PFRA, as the Prairie Farm Rehabilitation Administration is commonly known. This is one of the major agencies which has contributed to agricultural adjustment and development in Western Canada. In conjunction with other federal and provincial programs, PFRA continues to help agricultural development through community pastures, small water development projects and farm shelter belts.

But, as a result of changes in agricultural demand, and technology, the needs of the rural areas in the west are changing. The functions of the small prairie town with a few grain elevators are being absorbed by larger rural communities. These larger agricultural service centres are now providing much of the dynamics in the rural areas. Provision is made, in cooperation with the provinces concerned, for the construction by PFRA of needed water and sewer facilities in many of these key rural centres.

SPECIAL MEASURES

The Department is also taking a number of special measures to meet special situation. For example, last July 20, the Minister of Regional Economic Expansion and the Minister of Economic Development for Newfoundland announced the signing of an agreement to establish a Canada-Newfoundland and Labrador Development Corporation.

The Corporation, with head office in St. John's, is controlled jointly by Newfoundland and Canada. It is expected to 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.

Established initially for a period of five years, the Corporation can be extended by mutual agreement between the two governments. Its Board of Directors, representing both the provincial and the federal government was appointed by the Ministers last December. On January 19, the Board appointed Mr. Frank Spencer to the position of President and Chief Executive Officer.

Under this agreement, Canada will provide the Corporation with a revolving loan fund not to exceed \$20,000,000. The Province of Newfoundland will provide up to \$2,000,000, initially, for use as equity capital. Operating expenses of the Corporation are shared on a 50-50 basis by the Federal Department of Regional Economic Expansion and the provincial Department of Economic Development.

The Newfoundland economy consists mainly of small businesses serving local markets. The great majority of these small firms cannot meet the minimum financial requirements of

existing federal incentives programs and, therefore, are not eligible for industrial incentives grants. This limited access to funds, as well as lack of assistance in financial planning, has tended to restrict the growth of small and medium-sized businesses in the Province. In alleviating this situation through loans and equity investments, the Corporation will complement the present federal incentives program, while not necessarily restricting itself to the manufacturing sectors of industry.

On September 22, 1972, the Province of Nova Scotia and the federal government agreed to establish a corporation to carry on business in the Halifax-Dartmouth Special Area. The company, to be known as Metropolitan Area Growth Investments Limited, will be incorporated under the Nova Scotia Companies Act. It will have authorized share capital of \$20 million, divided into 20,000 shares of \$1,000 each. All the shares will be purchased by the two governments, 14,999 by Nova Scotia and 5,001 by the federal government. This investment by the two governments will give the Corporation \$20 million in equity capital.

The agreement provides for direct federal investment of \$5 million in the shares of the Corporation and a loan to the Province of a further \$5 million for use by the province in purchasing shares. The provincial government will invest a total of \$15 million in the shares of the company, \$10 million directly from provincial funds and \$5 million provided by the loan from the federal government.

The corporation is the result of more than a year of careful analysis by the Province and PRDE of approaches to encouraging more rapid development of employment options and opportunities

based in the Halifax-Dartmouth area. 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 businesses which will develop the area. The Department is investing money in this company because it believes that the growth of profitable business in the Halifax-Dartmouth area is essential to the development of Nova Scotia, and important to the development of the Atlantic Region. It believes that this growth is possible and hopes that the new corporation will seize some of the opportunities available and develop them to the benefit of the people of the area, the province and the region. It is expected that most of the business of the company will be conducted through subsidiary corporations purchased or established for the purpose, and that the Corporation will seek to join with private investors whenever this can be done to mutual advantage.

The corporation will operate under the direction of a Board of Directors of which four will be appointed by the Province and two by the federal government. A seventh director will be appointed jointly by the shareholders upon the recommendation of the Board, to be president of the corporation and chairman of the board.

The kinds of businesses pursued by the company will be decided by the board on the advice of the president, within the broad limits established by the memorandum of association. The corporation must promote or invest only in businesses centred in the Halifax-Dartmouth Special Area which are likely to yield a commercially reasonable return on the company's investment and which will contribute to the economic growth of the area.

The Corporation is taxable in the same way as other business corporations, because it is not an attempt to subsidize unprofitable ventures. Rather, it is an investment in the future of Nova Scotia. The company is expected to pay its way, earn profits and pay taxes. It will be eligible for incentive assistance under the R.D.I.A., but will receive no special consideration. There are some limitations which have been imposed upon the corporation's activities which do not apply to private business corporations. This company must not seek, directly or through a subsidiary, to entice any existing business to transfer its operations to Nova Scotia from some other part of Canada, it must invest only in businesses centred in Halifax-Dartmouth area, and it must take employment into account in its investment decisions.

It will take a few months before organizational work is completed and a board of directors appointed. In addition, funding from both governments is conditional upon specific approval by Parliament and the provincial Legislature of appropriations for this purpose.

Another special measure is that, on a joint basis with the province, the Department is attempting to establish a complex of metal-working plants in the Saint John area of New Brunswick. This step is being taken in recognition of two fundamental facts. First, while industrial incentives can be effective in stimulating industries which have a resource affinity with a region or in attracting the more truly "foot-loose" industries, these effects may not add up to the major development thrust that a slow-growth region needs to be freed of its cycle of stagnation. The second fact is that for many types of modern industry the critical

location factor is the absence of technologically related and ancillary operations. In the absence of these, an individual plant cannot rely on getting replacement supplies, specialized components and technical services when it needs them. The way to change that situation is to induce a number of related industries to locate together in an area. That is what we are trying to do in Saint John.

To make this attempt, we and the Government of New Brunswick have set up under the provincial Companies Act a corporation called "New Brunswick Multiplex Corporation Limited" to act as our agent in promoting the establishment of a multiple industry complex in Saint John. The corporation will develop detailed arrangements for such a complex, by discussions and negotiations with interested companies. If it can be shown that the complex is practicable, the corporation will prepare a detailed plan for its establishment, which will then be submitted to the two governments.

CONCLUSION

In the time available, I have given only a general indication of the nature of our developing programs for regional economic expansion. To succeed they have to be substantial programs. We would invite waste and disillusionment if we

rushed into them without careful planning, based on a broad strategy for achieving the greatest possible advance in the region as a whole. The planning and co-ordinating responsibilities of the new department are therefore essential to its success, and particularly so in its early years.

Much of the planning is being expressed in agreements with provincial governments for the development of particular areas. They include measures to help people to take advantage of new opportunities, which is as important to effective development as is the economic expansion itself. This is partly a matter of providing adequate social capital and services, housing and schooling and health services and manpower training, at the growing centres. But it also calls for resource and human adjustment programs in rural areas, to improve land use and in some cases develop new potentials such as tourism and to provide adjustment counselling and special training and mobility assistance for some people.

These first agreements were signed with provinces early in 1970, were for about two years, and included projects of clear value which could be started readily. These agreements indicated the intention of the governments to develop further programs for the next five years and second agreements or extensions of the first agreements to cover this longer period have been signed. Further agreements or extensions can be anticipated as part of the continuing joint planning process.

As I near the end of my address, I must remind you that the Department of Regional Economic Expansion is not a department concerned with all economic developments in all parts of Canada, and that it is not a department of regional affairs responsible for all activities of the federal government in the various regions of Canada. For example, in the Prairie Provinces, in addition to the important activities of the Department of Agriculture and the Ministry of Transport, the Department of Manpower and Immigration is very active with its occupational and training program. The Department of National Health and Welfare cooperates with provinces in work activity programs. And the Central Mortgage and Housing Corporation, in addition to providing help through its regular programs, has a special program to assist Indian and Métis people finance new homes.

Federal regional development programs will not attain the objective of equality of opportunity for all Canadians just by being programs or providing money. Fundamentally, what these programs must do is to further the process whereby people in the less affluent regions will develop their own economic affairs in order to provide a firm basis for future prosperity. In other words, the Department's role is to help channel the process of change; to help people not only to adjust but also to take advantage of the changes which are taking place; and to accelerate growth, particularly in those areas where it can do the greatest good for the greatest number of people.

The new Department has made a start, but the problems are too large for the results to be rapid. Regional disparities are not recent in origin and, by their very nature, they cannot be resolved in a short period. No doubt our strategy and our financial resources will need improvement. Certainly we cannot afford to stop asking ourselves questions.

