

*Restraint of Government Expenditures*

There is a classic example of this type of thing in my own riding. The government has put in a heavy water plant there. There was a Sydney Steel plant ready to be modernized, and the governments got together and decided to put in a heavy water plant when they knew only 200 or 250 jobs would be created. That is an extremely capital-intensive thing, and some hon. members know the sad history of it. Let us consider, for example, what is happening in Sydney today. The Sydney Steel plant was owned by a private corporation called Hawker Siddeley, which was a holding company with its head office in Britain. That company came in in 1957, and it was gone in 1967 after promising the people that there would be better times and that the economy of Cape Breton would be turned around.

In order to emphasize this point and tie it in with the waste of government expenditures, I have to recall briefly some of the historical points, because the situation today results directly from things which happened in the past, from expenditures which were made and from the failure of the federal government to play its role adequately. As a result, the federal government is being asked to make expenditures now which should not be necessary but are essential. Hawker Siddeley had taken over from Dosco in 1957, promising great things. On what is known as Black Friday, October 13, 1967, Hawker Siddeley announced that it was pulling out of Cape Breton's steel industry. The intention to give up the coal mines had been announced two years earlier. The federal government had decided to set up the Cape Breton Development Corporation with a coal division and a development division, which it did in 1967.

The federal government refused, however, to put the Sydney Steel plant under the jurisdiction of the Cape Breton Development Corporation. This is how ridiculous things get when there is poor planning and when government expenditures are not used in a sensible way. When the private profit, absentee firm announced its intention to pull out because of a failure to make sufficient returns and because it began to run into losses, the Nova Scotia government was forced to take over the Sydney Steel plant. Private industry left, saying that it could not make any money.

The federal government set up a federal Crown corporation, Devco, which in the first few years was a complete mess. Since Mr. Kent has taken over, it has made more sense. But let us look at how the government tied one hand behind his back. The cornerstone industry, steel, was not even included in this type of thing because the federal government wanted to run away from that and let the province take the major responsibility. It thought that somehow it would push it off on the province, even though it is a small province, even though it does not have much money and did not have any real skill in its civil service to run an internationally competitive steel plant.

The federal government thought that it would not bother about that then, but that it would think about it later. The government is thinking about it now, when the people down there are faced with the possible closure of a rail plant for

[Mr. Hogan.]

three or four months this winter. There is good reason for hon. members from Cape Breton to be overly excited sometimes because of these failures. There are times when some hon. members opposite say that they put so much into Cape Breton. I admit that the federal government put generous money into the coal industry and some in steel, through DREE, but the money has been wasted because of inefficiency and because of lack of necessary planning, just as in the case of the Heavy Water plant. Some hon. members have the gall to try to tell me the reasons government expenditures cannot work there, but the main reason is an inefficient government and mismanagement. It is not government expenditures, per se, despite what hon. gentleman opposite say.

**Mr. Mazankowski:** That's what we have been talking about: mismanagement. Get your lines straightened out there, Andy.

**Mr. Gilbert:** It is because of the mismanagement of private companies.

**Mr. Brisco:** Oh, come on.

**The Acting Speaker (Mr. Ethier):** Order, please. All remarks should be addressed to the Chair.

**Mr. Hogan:** These things were done by those who represented the federal government at that time, not hon. members opposite, but I am trying to say that this has to stop. Government expenditures do not have to stop, but waste and a lack of planning does. A small province with no expertise in its public service tried to do something to keep things from collapsing, and a man who tried to keep things from collapsing is now a senator by the name of G. I. Smith. I give him full credit. The logical thing would have been for the Cape Breton Development Corporation to take over that plant. Hon. members can check this in the debates in the House preceding the formation of Devco, particularly those who are members of the committee dealing with regional economic expansion, and they will find David Lewis was pressing the point at that time. He was unsuccessful, and the Nova Scotia government, after taking over the steel plants, let years go by without adequate financial reports until the Auditor General cracked down on them in 1974.

The Auditor General showed that financial trickery and poor accounting practices were used by the provincial government. The taxpayers of Nova Scotia have put some \$200 million into that plant and most of it was wasted. There was incompetent management and lack of proper government supervision and the plant went down the drain. That is a classic example of government bungling which would be laughable if it were not so serious in its consequences for the human beings who are now asked to pay the price with high unemployment, uncertainty and a possible collapse of a community of some 125,000. That is no laughing matter. The people who bungled this can thank God that they were not in the Soviet Union, because they would have been on trial for wasting so much public money.

**Mr. Brisco:** Rodriguez will read your speech and have a fit.