

*CNR and Air Canada*

the light of most North American transport experience. This indicated a misallocation of transport resources and tended to suggest a certain discrimination against the motor carriers which, there is little doubt, was detrimental to all parts of the region, but particularly to the two island provinces of Prince Edward Island and Newfoundland. It seemed evident from the committee's findings that changes in the internal subsidy were called for and, as members know, we introduced these along the lines of the committee's recommendations. I will deal with these in greater detail in a few moments.

While, as I have said, the second report has not yet been studied fully I can tell the House that I have already made certain decisions on some of its recommendations. The second report of the federal-provincial committee suggests that the intrasubsidy reduction from 17.5 per cent to 15 per cent go ahead as planned this year but that exemptions to the reduction be made to the potato industry and certain sectors of the wood residue industry.

• (1600)

The report suggests that the exemptions be regarded as special assistance cases where the high subsidy level or the differential between the normal and high level be paid to the shipper rather than the carrier. The latter course may be one which is relatively simple to implement and could be the beginning of a more selective subsidy policy. I favour these recommendations and fully expect that they will be implemented. I do, however, want time to explore their ramifications and decided, therefore, not to reduce the present intra-subsidy of 17½ per cent on April 1st as the committee suggests, but only at a later date and after consultation with those concerned. I am aware of the widely held view that when assistance is provided, it should be paid direct to the shipper rather than to the carrier. I subscribe to this principle and assure the House that if, in fact, we do not get the benefits to industry this plan is designed to achieve, then we will accelerate the changeover to our shippers more quickly than in the policy I have described today. It was in the interests of getting the plan into operation quickly that the decision was taken to use the simpler system, but we will continue to work on the problem of payments to shippers, beyond the initial step I have mentioned today.

The reading of statistics can be a dull business, but as painlessly as possible, I would like to give the House some indication of the levels of federal spending on transportation in the Atlantic provinces in recent years. This is the backup and support that I have been indicating today. We have implemented the recommendations of the provinces themselves.

In 1970-71, all forms of subsidies, maintenance and operating costs in the Atlantic provinces totalled \$113 million. In 1971-72 this figure increased by over \$5 million to more than \$118 million. Of these totals, subsidies to various ferry services amounted to about \$36 million per year. Last year, the first full year of the trucking subsidy, payments to both rail and trucking totalled over \$20½ million in the first year in which we were paying the trucking industry. This immense figure may surprise hon. members, but it supports the tremendous growth in the Atlantic provinces. I now estimate that the trucking portion alone is likely to reach close to \$14 million in the

current year, just within the Atlantic provinces, and that does not include the subsidy on westbound traffic or the out-of-the-region subsidy.

National Harbours Board capital expenditures combined for the current year and the previous two, add up to about \$15 million and all the capital expenditures of the Ministry of Transport and its related agencies, over the same period, fall just short of \$72 million dollars.

Over and above direct spending by my ministry, other departments have contributed substantially to the improvement of the transportation network of the Atlantic provinces. Between 1968 and the current year, both inclusive, the Department of Public Works has undertaken capital works in the region worth about \$33 million, excluding such large lease-back projects as the \$20 million wharf for the Come-by-Chance refinery in Newfoundland and a similar structure on the Strait of Canso.

A special word is called for regarding assistance for road construction in the Atlantic Provinces. There was, first of all, special help provided for the completion of the trans-Canada highway in the region with the federal government contributing 90 per cent of the cost. At the peak of this program this support was at the level of about \$57½ million a year.

Special DREE programs sustained this level of support from 1969 to 1971. Last year new agreements were negotiated with New Brunswick, Nova Scotia and Newfoundland totalling \$60 million. Over the past seven years, therefore, federal support for Atlantic province highways has averaged about \$45 million a year, or over the period some \$315 million, with many projects being funded entirely by the federal government.

The Atlantic Premiers' report suggested a 10 year program, properly planned, and interim assistance of about \$66½ million. It can be seen from these figures that this second request has been met and exceeded, and long range planning for federal participation in highway construction is well advanced.

I emphasize these expenditures, because while they are not all made directly by the Ministry of Transport, they are nevertheless a vitally important part of our Atlantic transportation policy and have gone a long way toward meeting the needs of this area.

I would also like to recall some of the other federal undertakings of the past few years as evidence that we are moving ahead with a comprehensive program, which fits pretty squarely with what was recommended not merely by the Premiers' Committee but also by hon. members of the opposition and on this side of the House. Some of these projects may tend to be overlooked because of the present evident preoccupation with the problem of freight rates which, though important, is only one part of the challenges we face.

In 1969 as I have mentioned, the 30 per cent subsidy on outbound shipments was extended to trucking and railway express. Simultaneously subsidies were provided to maintain water transport from St. John's and Corner Brook to Montreal, and similar subsidies have been continued for service between eastern Newfoundland and Halifax. A good prospect for Halifax at the present time is again a program in which the federal authorities are