

ensuring that the reorganization of the federal economic development effort in Cape Breton pays dividends in terms of increased economic activity, increased employment and increased earned incomes in Cape Breton. That is the purpose of ACOA; it is the purpose of this legislation as it applies not only to Cape Breton but to the entire Atlantic region. I ask honourable senators for their support of this bill at second reading and I look forward to discussing it in more detail when I appear as a witness before the Standing Senate Committee on National Finance.

**Hon. Charles McElman:** Honourable senators, before the question is put I should like to ask the Leader of the Government in the Senate a question. I share his enthusiasm for ACOA. I hope, as he does, that it will be highly successful in its activities in the Atlantic provinces.

I notice in the media that there still appears to be a great misunderstanding in the Atlantic area, particularly with municipalities. The misunderstanding is that this is to be an agency that will involve infrastructure. My understanding is that it will not; that it is for industrial development. Is that correct?

**Senator Murray:** Honourable senators, the main thrust of the agency is to encourage the growth of the private sector in the Atlantic region, to encourage entrepreneurship, small and medium-sized business productivity, competitiveness, and so forth. The means at hand for assisting with various forms of infrastructure—highway construction, for example—is the use of federal-provincial ERDA agreements. It so happens that they also come under our responsibility. As the honourable senator knows, there are a number of such agreements now in force. We will, no doubt, negotiate others in the future.

The distinction I wish to make is between those federal-provincial agreements, on the one hand, and, on the other hand, the funds that have been allocated to ACOA with the express purpose of strengthening the private sector in the region.

**Senator McElman:** I am sure the Unions of Municipalities in each of the four provinces are apprised of the mandate and the terms of reference for giving assistance. In order to avoid, as has often been the case, misunderstanding, and indeed recrimination, particularly at the municipal level, may I suggest that more attention be given to emphasizing the purpose of this agency? It is in the interests of the area and of all of us that there be a good understanding, which does not yet appear to have gotten through in the Atlantic area.

This is merely a suggestion that I hope the minister will find acceptable.

**Senator Murray:** Honourable senators, I appreciate the point made by Senator McElman. I have had occasion to meet and talk with several of the municipal leaders in the Atlantic region. I agree that a much more effective communications program needs to be undertaken in order to acquaint them and others who are interested and concerned with the precise mandate of this new agency.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

**The Hon. the Speaker:** Honourable senators, when shall this bill be read the third time?

On motion of Senator Murray, bill referred to the Standing Senate Committee on National Finance.

**CAPE BRETON DEVELOPMENT CORPORATION ACT**

BILL TO AMEND—SECOND READING

On the Order:

Resuming the debate on the motion of the Honourable Senator Phillips, seconded by the Honourable Senator Macdonald (*Cape Breton*), for the second reading of the Bill C-127, An Act to amend the Cape Breton Development Corporation Act.—(*Honourable Senator Graham*).

**Hon. B. Alasdair Graham:** Honourable senators, Bill C-127 is a very brief bill designed to amend section 19(2) of the Cape Breton Development Corporation Act in order to raise the limit of the amounts of working capital that the government may advance to Devco. Under the bill's provisions, the existing limit of \$25 million would be raised to \$50 million or to such other amount as may be established by an Appropriation Act or other act of Parliament. I thank Senator Phillips for his introduction to this legislation.

The reasons for an increase in the limit on government advances to the corporation are not difficult to see. In fact, such an increase is arguably long overdue. The present limit has been in force since 1975. Inflation alone has more than halved its value over the intervening period.

As I mentioned in speaking to Bill C-103 in the Senate last week, the size and operations of Devco have grown quite dramatically over these years. To illustrate this fact, it is worthy of note that the assets of the Coal Division at the end of fiscal year 1975-76 were \$108 million, and with the completion of the new Phalen Colliery those assets would be valued at close to \$600 million. Coal sales have gone from approximately \$50 million in the mid-1970s to an estimated \$200 million in 1988.

● (1600)

Much tribute must be paid to the coal miners and management. Productivity in coal mining grew from 2.5 tonnes per man-shift in 1967-78 to 6.8 tonnes in 1986-87. At the same time preliminary estimates show that the Coal Division's operating losses in fiscal year 1987-88 were under \$2 million and projections are that in the current year Devco will achieve an operating profit.

Currently the corporation is promoting the commercialization of technologies, such as circulating fluidized-bed processes, which make possible the clean burning of high-sulphur coal. Adoption of such technologies hopefully will open new opportunities for Devco and possibly enable it to reduce its heavy reliance on traditional markets.

Larger operations entail higher inventory levels, which, in turn, apply a need for higher levels of working capital. Moreover, in light of the possibility of unforeseen future require-