

Ottawa in the form of a five-year subsidy is in no way unreasonable. The province needs that interim assistance to help cushion the crippling power rate increases that face householders and businesses alike.

I would now like to turn to what might be called a "problem opportunity" situation in Nova Scotia which, if solved and developed, would have a phenomenal effect on the maritime economy and, indeed, be good for the rest of Canada. I refer to the proposed Canstel project for industrial Cape Breton. In order to speak intelligently about Canstel I must, first of all, mention briefly the situation at Sydney Steel, or Sysco, as it is known.

The Sydney steel plant was formerly owned and operated by British interests, Hawker Siddeley, who in the late 1960s, because of heavy financial losses, decided to walk away from the operation. Dosco, as it was then known, was the cornerstone of industrial Cape Breton, and employed directly some 3,000-plus people. In view of this the provincial government of the day under Premier, now Senator, G. I. Smith, moved in and took over the operation of the plant. Thus Sydney Steel became a provincial crown corporation.

In spite of the aged condition of the plant, record production was at first obtained over that which its former owners had been able to achieve. However, the cold hard fact of the matter was that the plant was very old and barely hanging together. If the operation was to continue, then an extensive and costly rehabilitation program would have had to be undertaken. In addition, an expansion program was desirable in order to give the plant some long-term viability, and perhaps some diversity in terms of product, in view of the fact that its chief claim to fame was the excellent rails it produced for Canada and other countries around the world.

Feasibility studies were carried out by some of the foremost steel consultants in the world, and it was concluded that if Sydney was to retain a long-term viable steel industry the answer lay, not in patching up an old orphan plant, but in constructing a major new steel complex capable of world production levels, along with the capacity to expand.

Another very convincing factor in the decision was the fact that no major steel interest would invest five cents in the old plant, but considerable interest was shown in becoming involved in a major new steel effort located at tide-water. Coupled with this was the fact that Nova Scotia, with its limited resources, could in no way come up with the hundreds of millions of dollars required to do justice to the old plant.

Consequently, a consortium of steel companies, including Dofasco, an American company, and two of the largest European steel producers, as well as the Province of Nova Scotia, through its crown-owned agency Canstel, was put together, mainly through the efforts of Premier Regan. This consortium is presently looking into all aspects of establishing a new steel complex in Cape Breton, and just a few days ago completed another round of talks in Hamilton, Ontario.

The prospects for a world-scale steel operation in Sydney appear to be excellent. Cape Breton is probably one of the

best, if not the best, site for a major new steel plant in the world at this time. I say this because there is a ready supply of metallurgical coal, good availability of iron ore, generations of steel-making capability found in the Sysco work force, a deep tide-water harbour, as well as an existing social infrastructure. The foregoing, coupled with the fact that the partners must find additional steel-making facilities to meet future needs, whether this be achieved at home or by investing abroad in a complex such as Canstel, all adds to the desirability of the Cape Breton project. However, in order for this project to get off the ground, it is necessary for the Government of Canada to become involved, and its support and cooperation are vital to Canstel's success.

Having said that, I would point out that when Canstel does start, the resulting impact from the plant itself, plus all of the spin-off activity that will be generated, will, without question, turn around the economy of Cape Breton, if not indeed the entire province.

In addition to curing Cape Breton's long-standing economic and unemployment ills, Canstel would also reflect very favourably in terms of its effect on Canada's balance of payments figures. A good portion of its steel products would be earmarked for international export, thus earning valuable export dollars for Canada.

Turning to yet another area of concern for Nova Scotia, I would point out that successive governments have long recognized the need to reduce regional economic disparity, and have, through legislative and other action, shown the important role that transportation plays in reducing such disparity. The Maritime Freight Rates Act and the Atlantic Region Freight Assistance Act are two legislative examples of how the federal government has attempted to respond to the continuing problem.

Unfortunately, transportation problems of the Atlantic region have not been resolved, and are as evident today as they were 50 years ago. Our principal problem continues to be one of distance from and access to our principal markets. We are remote from the large central Canadian market by a considerable distance, which discriminates against us in competing with manufacturers closer to the population centres in Quebec and Ontario. Not only does this result in higher transportation freight rates, but it discriminates against us in that we are unable to provide adequate service levels from the viewpoint of both supply and customer contact.

Central Canadian manufacturers are most often able to ship directly from their plants to their customers, while Atlantic region manufacturers must incur not only higher transportation costs but added distribution costs in that they must frequently warehouse in the central Canadian market in order to provide adequate service.

The two major ports of the Atlantic region, Halifax and Saint John, have in recent years a remarkable success story in serving as a Canadian gateway for import and export traffic. There is no question that these ports play a significant role in contributing to the National economy, at least equal to the St.