

Coal Production Assistance Act

into detail on the purpose of the bill, it may be helpful to review briefly the development of this act. It should be noted that recognition was given in 1949 to the recommendations of the royal commission on coal in 1946, that the Canadian coal industry and particularly the maritime section, needed improvements in their methods of mining and of coal preparation if they were to maintain a fair competitive position.

The government of that day introduced a bill providing an amount of \$10 million to be loaned to coal producers in the Atlantic maritime provinces for the improvement of their methods. I would refer hon. members to the debate on this proposal as reported in *Hansard* for December 1, 1949 where the matter was fully discussed. As a result, the Maritime Coal Production Assistance Act was passed and is presently chapter 173 in the revised statutes. The act defines the purpose of the loans, the amount and timing of repayment, as well as other administrative details. It also provided that no loans could be made after October 31, 1959.

By the end of 1958 the amount provided had been almost entirely placed as loans to producers. It was also evident that there still remained a need for such assistance not only in the maritimes but also in western Canada. An amending bill was introduced in June of 1959 providing for an increase of \$10 million in the funds available, an extension of the limitation on loans to October 31, 1964 and for the application of the policy to all coal mines in Canada. Since the provision of funds was involved, the first and the major debate on the proposal was on the resolution and is reported in *Hansard* for June 30, 1959. There were other measures included in the proposals affecting an existing loan to which I will refer later. The amendments were adopted and are embodied in chapter 39, 7-8 Elizabeth II, assented to on July 18, 1959. The amendment changed the title of the legislation to the Coal Production Assistance Act.

The measures proposed in the present bill deal with four different aspects of this legislation and it may help hon. members if I deal with each of these separately. The extension of the assistance to western Canada introduced a difficulty that was not apparent at the time of the amendment. The act provides that loans shall be repaid by semi-annual payment of 30 cents per ton on the coal produced in the preceding six months. The amount of 30 cents was fixed upon in the original development as a reasonable part of the saving that mechanization would produce and that could be used for amortization of the loan. The projects assisted at that time produced coal of values from about \$8 to

\$9.50 per ton and these values had a bearing on the realization of savings. After the extension of the act to western Canada, representations were made that in the case of coals of lower value, such as lignite, mechanization, while capable of improving output, did not produce as large a monetary saving. This relationship between the value of the lower rank coals and the amount of repayment is recognized in the present bill and clause 1 provides for lower rates per ton of repayment in the case of coals of lower rank.

Second, it has occurred in the past, and may also occur in the future, that during the term of repayment of a loan for a specific project the borrower may find that a further amount is needed in order to complete the project or an additional project found necessary by changing circumstances. Under the present act, repayment of such an additional loan is concurrent with payments on the first loan. In other words, the borrower is required to pay 60 cents per ton although the savings realizable from the second loan may be minor or non-existent since the second loan may only be intended to complete or complement the first loan. It is being provided in the present bill that this situation be corrected by permitting deferment of repayments on the capital of the second loan for a period of three years if such deferment is considered advisable.

Third, the Department of Justice has advised that a section should be added to the present act providing for the definition as offences of any cases of misrepresentation in connection with the obtaining of funds, or misuse of funds loaned, and for the application of penalties. It was suggested that the relevant section of the Small Businesses Loans Act was a good precedent. This advice has been taken, and clause 2 of the bill makes such provision. There is one respect in which this differs from the procedure followed in the Small Businesses Loans Act, namely that the maximum penalty has been increased from \$1,000 to \$5,000. This increase has been recommended by the dominion coal board on the ground that the companies producing coal and entering into loan agreements are generally in better financial circumstances than small businesses.

Finally, provision is made in clause 3 for relaxation in the terms of repayment of two loans made to the Avon Coal Company Limited, a coal producer in the Minto area of New Brunswick.

These are the main provisions of the bill. As hon. members will see, the measure provides for substantial assistance to coal producers but it does not modify the original