

Railway Act

deficits of the CNR. This amount is net of the surpluses, which total \$37 million, earned by the CNR in the years 1952, 1953, 1955 and 1956 and paid to the government. Thus, there is quite a history of deficits, the CNR recording a profit only in those four years.

The Canadian National Railways Capital Revision Act of 1937 relieved Canadian National of liabilities totalling approximately \$1,167 million. In addition, it converted other liabilities amounting to \$658 million into proprietors' equity of the dominion government. By eliminating the government loans for deficits prior to 1932 and the interest accruals thereon, and by writing out the Grand Trunk stock and writing down Canadian Northern stock to a nominal \$18 million, it effectively wiped out what Canadian National management has referred to frequently as the legacy of the past. That was followed by the 1952 recapitalization act, and the one we are dealing with now in 1978. I understand there was one proposed in 1962. However, it did not materialize.

The relief under the Canadian National-Canadian Pacific Act of 1933 totalled approximately \$1,230 million. The Revision Act of 1937 relieved Canadian National of the debt of \$1,167 million and \$658 million respectively. The Canadian National Revision Act of 1952 relieved the debt of the Canadian National by \$2,845 million. At the present time \$808 million is being cancelled under this bill. Therefore, the total debt reduction provided by the public treasury was \$6,708 million. That is a whopping amount of money.

We have received many reasons why this measure is necessary. The Prime Minister (Mr. Trudeau) indicated that it was necessary because it constituted a saving to the public treasury. The Minister of Transport (Mr. Lang) outlined today some reasons why this particular measure is necessary. Canadian National Railways officials have outlined their reasoning for this particular piece of legislation.

The arguments in favour of this bill are essentially the same as they were back in 1952 when the recapitalization bill was advanced. It has been said that the passage of this bill will provide Canadian National with a capital structure comparable to other companies in the North American railway system, with a debt ratio of approximately 38 per cent to 40 per cent compared to the current debt ratio of the CNR which ranges in the vicinity of 60 per cent. Also it is suggested that this piece of legislation will improve international investor confidence, now that the CNR is going outside government circles for its capital. I suppose the \$168 million loss which was incurred in 1975, for example, would not be over appealing to the international investor.

We should not overlook the fact that the CNR is wholly owned by the government of Canada. Even though the credibility of the government is not that great at the present time, the CNR has the credibility and the backing of the government and indeed the country. Nevertheless, when the CNR goes outside government circles for money, it does so with the backing of the Government of Canada, and certainly that has an impact on investors' confidence.

[Mr. Mazankowski.]

Also it has been suggested that this bill will impose a much stronger discipline upon management to operate effectively and efficiently. In looking at the bill, I really do not see the mechanisms which will provide for that. When the parliamentary secretary or hon. members opposite speak on this bill, I hope they will give us the advantage of placing their interpretations on some of the clauses which would have the effect of imposing that stronger discipline upon management to operate in an effective and efficient manner. As a minimum, effective disciplinary guidelines ought to be inserted in the legislation, as well as proper and effective accountability features. I do not see those provisions in the bill at the present time.

From the government's point of view, the cancellation of this debt has the effect of relieving the government of an encumbrance. Under this piece of legislation, the debt will reflect the financial position of the CNR rather than being a burden to the government. In the eyes of the Auditor General and in the eyes of the Canadian public, I suppose it is fair to say the debt position of the federal government is improved by the fact that this debt has been cancelled and transferred to the equity of the CNR.

Because of the cancellation of the \$808 million debt, this bill will relieve the CNR from paying interest on that amount, which works out to approximately \$65 million on an annual basis. For that reason, it will tend to improve the economic performance of the CNR, at least on paper.

Then there is the phony argument which suggests the passage of this bill will represent no cost to the government but will be merely a book transaction. The Prime Minister suggested the other day that the passage of this bill will constitute a saving. I find that to be highly questionable and it will have to be explored in detail at committee stage.

The effect of the 1937 Capital Revision Act reduced the fixed charges of the CNR by something more than \$35 million a year. The second Capital Revision Act more or less completed the job of removing the debt which has been termed a legacy of the past. After the 1937 recapitalization act and by the time 1952 rolled around, the capital liabilities of the CNR had increased from approximately \$1.2 billion to approximately \$2.2 billion, which is more than it was prior to its first recapitalization.

● (2022)

The revision of 1952 converted \$736 million of debt into 4 per cent non-cumulative preferred stock of the same value. This had the effect of reducing CN's fixed charges by about \$23 million, from \$47 million to \$24 million. As I said earlier, this was heralded with great anticipation and expectation. The late Donald Gordon, the former president of the CNR who was in command at that time, addressing CN's interdepartmental education association, had this to say in Toronto, and I quote:

This will clean the windows of our financial house. Once the legacy of excessive debt has been lifted from our shoulders, we will be judged entirely on our merits, and it will be a challenge to everyone in the organization to show what we can do.