

Canadian National Railways and Air Canada

time of the transaction, that Wardair owned four twin Otters and a Bristol freighter. According to Mr. Baldwin, past chairman of Air Canada, the Bristol freighter is not of much use. In addition, the company leases other equipment. The Wardair balance sheet, which shows a company value of \$3.5 million, reflects the true value of the company's assets; yet Air Canada, in its wisdom—that company really knows how to make deals—will acquire 30 per cent of Wardair for \$2.7 million.

We wondered if Air Canada wanted to learn from Wardair how to operate the charter business. If the company hired Mr. Ward to run the Air Canada charter business, that part of the operation might be profitable. But that is not to be the case. The company is acquiring a minority interest in Wardair. Indeed, the decision of the Canadian Transport Commission says that Air Canada is entitled to no more. If Air Canada wants to exercise its option and buy all of Wardair, it will need to go before the CTC again. The company is prepared to invest \$2.7 million of public funds in Wardair, out of the \$140 million to be advanced under this bill, to acquire a minority interest in the charter air line. That will not extend service for the people of Canada.

This move will do little except provide more holiday accommodation. It will not do anything about the real, social problems of Canada. Air Canada will merely expand its operations. It will become involved in another enterprise. Like some other Crown corporations, it is not satisfied to do the job Parliament entrusts to it. It wants to become bigger and grander. It is time this House called a halt to this, and time the government did, too. If Air Canada cannot provide necessary, regular route services to the various parts of Canada, we should let somebody else do it. We should not permit Air Canada to grow and grow and use money of the taxpayer of Canada to expand into fields not normally related to its business.

It was suggested that Wardair was not a bad buy, that the shares were valued at about \$2.50 each. You will find that they are worth \$1.60 on the Vancouver market. They are being traded on the basis of 30 times earnings. You will find, also, that the Wardair balance sheet indicates a deficit in working capital. That being so, you wonder, are the directors of Air Canada using sound business judgment when they decide to expand into a business venture that is not related to their main business? That is why this amendment has been brought forward.

By bringing forward the amendment we are not attempting to say that the people who work for Air Canada are incompetent or do a poor job. They do a good job. We have a good air line, but we could have a better air line if the people running it paid more attention to it instead of looking for other investment opportunities. In a moment I shall deal with the Comstock matter.

Speaking of investments, Air Canada incorporated on January 1, 1973, a company known as Econaire Holidays Limited. The company was to be in the charter business. The Minister of Finance (Mr. Turner) will be pleased to know that in nine months of operation this new company lost only half a million dollars. The minister can probably lose money more quickly himself. Yet here we go again. The directors of Air Canada wanted to go into another business. They incorporated Econaire Holidays Limited,

[Mr. Blenkarn.]

booked charter flights, provided air line service on the cheap and lost only half a million dollars. That is the kind of thing other Crown corporations have done, as was suggested in the debate on the previous motion to do with Canadian National Railways.

Apparently Air Canada wants to become a colossus in its field. You might not mind if Air Canada were a real profit maker and returned big dividends to the people of Canada. Actually, it returned dividends of about \$200,000 a year, or less than 3 per cent on investment or turnover. Indeed, Air Canada seems to be only half as profitable as other airlines in North America, which is a sad reflection. Canadian Pacific is over twice as profitable and Delta two and a half times as profitable. Air Canada would perform better if it were better managed. Certainly, the management should not flit around and invest in subsidiaries.

Let me give you another example of inefficiency. There is in Toronto a certain terminal which was designed for handling people. By a mistake, the Ministry of Transport built a terminal which nobody can stand. It is almost a cattle barn and would be an excellent freight shed. Yet who takes the terminal over, apologizes, and says that it is a wonderful terminal? Who else but Air Canada, even though that terminal, in the year ending December 31, 1973, cost Air Canada in lost revenue at least \$1,500,000. That shows what sort of management runs Air Canada.

In speaking of subsidiary ventures, I shall now refer to the Comstock deal, and to the sorts of answers Mr. Pratt, president and chairman of the board of Air Canada, gave to the committee when dealing with the issue in question. If my memory serves me correctly, it is proposed that Air Canada will put up \$4 million, that Comstock International will put up \$6 million and that the two companies will borrow, interest free, \$16 million approximately from the government of Canada. So, the government is really putting up \$20 million. The common stock of the new company will be divided in the ratio 60/40, the government-owned corporation owning 40 per cent of the stock although the government will put up a greater percentage of the money. This will happen. The company will go ahead and acquire General Dynamic's position in Canada and de Havilland's position in the facilities in Toronto. We asked about this. Air Canada, in a paper put out for its employees, set out some parts of this transaction. We found that the company has almost made the deal. It is telling its employees, "By golly, we are going into the aerospace manufacturing business." The proposals are there, we are going ahead with them.

● (1650)

My colleague, the hon. member for York Simcoe (Mr. Stevens), asked the president of Air Canada about this transaction. He said that it was just in the talking stage, but they did not know the government's policy so of course were not committed to it. However, they tell their employees, through their own employee news service, that they are going ahead. If they are not committed to it, why is there provision in the estimates for money for this transaction? Why is this bill being pushed on us to provide \$6.7 million for further investment in subsidiaries? Why do we get the runaround in committee meetings when questions are asked about the money involved and the profitability of the government of Canada, through Air