

[Translation]

MOTIONS FOR PAPERS

Mr. Yvon Pinard (Parliamentary Secretary to President of Privy Council): Mr. Speaker, I ask that the notices of motions for the production of papers be allowed to stand.

Mr. Deputy Speaker: Shall the notices of motions for the production of papers be allowed to stand?

Some hon. Members: Agreed.

GOVERNMENT ORDERS

AIR CANADA ACT, 1977

[English]

MEASURE RESPECTING REORGANIZATION OF AIR CANADA

The House resumed, from Tuesday, November 1, consideration of Bill C-3, respecting the reorganization of Air Canada, as reported (with amendments) from the Standing Committee on Transport and Communications; and motion No. 1 of Mr. Knowles (Winnipeg North Centre).

Mr. Sinclair Stevens (York-Simcoe): Mr. Speaker, yesterday evening I touched upon certain relevant points with respect to the amendment of the hon. member for Winnipeg North Centre (Mr. Knowles) which is now before us. He would like to have deleted a provision which was put into the Air Canada bill largely at the request of my colleagues in the Conservative party. That provision reads as follows:

In discharging its responsibilities under the act, the board shall have due regard to sound business principles, and in particular the contemplation of profit.

Also, I pointed out that there were two important matters before us. First, we are saying that the directors must follow sound business principles—I feel all members in this House agree with that—and second, that the directors should follow a pattern of activity in contemplation of profit. Apparently it was the suggestion of profit that caused some hysteria on the part of the socialists and the hon. member for Fort William (Mr. McRae). As a result, the hon. member for Winnipeg North Centre proposed that the entire clause be deleted, which would include the suggestion that the directors follow sound business principles.

I speak in favour of the provision as it now stands, and against the amendment proposed by the hon. member for Winnipeg North Centre. Despite the fact that Air Canada has over 50 per cent of the total air revenue in Canada, they have experienced substantial losses over the last three years. In the aggregate, those losses were approximately \$65 million. If we are going to recapitalize Air Canada and give them a potential capital of \$750 million, surely it is not unreasonable to suggest that the board should follow sound business principles and carry out their activities in contemplation of profit.

Air Canada

The projections indicate that upon this bill becoming law, approximately \$365 million of capital will be put into Air Canada. Therefore, their capital will rise from \$5 million to \$370 million. For example, if that money is put into bonds, Air Canada should receive at least 10 per cent interest on that sum. This would mean that it would be almost guaranteed \$37 million, before tax profits, prior to flying the first plane.

To suggest that we are asking too much of the board of directors when we say they should run their airline in contemplation of profit is ridiculous. For too long now the socialists—and the Trudeau socialists on the other side of the House—have been telling us that Air Canada is a rather unique animal that should not earn a profit, and that somehow or other airlines just do not earn a profit. That is a misrepresentation of the facts.

In 1976, while Air Canada was losing substantial amounts of money, American Airlines made \$56 million after taxes, Eastern Airlines made \$46 million, Allegheni Airlines made \$14 million, Braniff Airlines made \$27 million, Ozark Airlines made \$7 million, Pan American Airlines made \$94 million, and Piedmont Airlines made \$4 million. These are just a few examples of airlines in the United States which are comparable to ours. It is not true to say that historically airlines have lost money. Northwest Airlines, with which the hon. member for Crowfoot (Mr. Horner) is very familiar, has about the same amount of revenue as Air Canada—approximately \$1 billion. Last year, Northwest Airlines made approximately \$100 million, while Air Canada lost some \$20 million.

Because of the bureaucratic nature of a state-run airline, Air Canada has been operating at a substantial loss, while certain private-oriented airlines have made a substantial profit under the same basic conditions and during the same time-frame. It is totally wrong to suggest that Air Canada should not, and cannot, make a profit. The fact is that they can make a profit. Air Canada should not be discouraged from making a profit, because profit is a demonstration of an airline's efficiency.

It has been represented in the House and in committee that the recapitalization of Air Canada should be commenced because their debt load is no longer in ratio with their basic capital or equity. Compared to other airlines, Air Canada has an unduly high debt load. The fact which is cleverly glossed over is the reason for that heavy debt load. The short answer is that Air Canada has a heavy debt load in relation to their capital because it has not earned any money to speak of in the last 40 years.

Whereas other airlines have been able to accumulate substantial retained earnings, Air Canada's total retained earnings, after 40 years of activity, are only approximately \$18 million. Delta Airlines have retained earnings of \$304 million, Northwest Airlines have retained earnings of \$473 million, and United Airlines have retained earnings of \$306 million. Because Air Canada has not been able to pile up retained earnings comparable to other airlines, we are being asked to bail them out.