

*Railway Act*

For the information of the House, it has to be noted that after recapitalization in 1952 the CNR had a debt equity ratio of some 32.7 per cent to 67.3 per cent, precisely the same as the CPR at that particular time. We are now doing the same thing again. We are adjusting the debt equity ratio of the CNR to correspond with the debt equity ratio of the CPR, and the debt equity ratio of the CPR is in the neighbourhood of 42 per cent.

In the committee it was revealed that if the CNR had been taking depreciation over the intervening years, its losses would have been about \$24 million per year over 30 years, if we amortize over that many years. Had the CNR actually been claiming that depreciation, the government would have been reimbursing those amounts annually. Therefore, the equity position of the company would have been that much better. The central point here is that if the CNR had come to the government or to parliament for \$24 million additional dollars every year, that naturally would have enlarged its total deficit for each particular year. The main point is that the company would have had to come every year for that amount of money, and it would have had to account for the money. Hence, there would have been some control and parliamentary accountability. Instead we are giving the company \$808 million at this one time.

Perhaps in its wisdom at that time parliament would have said to the CNR, "Just a minute." Perhaps we would not have had to have the CN tower. Perhaps we do not need to spend the money which is presently being spent on shopping centres and other allied ventures not directly related to the operations of a transportation system. If we had had parliamentary control on a yearly basis, I think the CNR would not have been so far removed from the public, and the large deficit we are talking about writing off today possibly would not have had to be written off in this year, 1978.

I want to review and place on the record the CNR profit figures because I think it is important to keep these figures in perspective. We have been told—and this has been confirmed—that without recapitalization in 1977 there was a profit of \$28 million. In 1978, after some adjustments and after new factors have been taken into consideration with respect to a very successful first quarter, the CNR will probably show a profit of some \$28 million. That is without recapitalization. In 1979 the CN has projected a profit of \$6.2 million. Incidentally, these are CN's own figures. In 1980 it has projected a profit of \$117.6 million; in 1981, a profit of \$113.1 million; and in 1982, a profit of \$141.3 million. All of these figures are based on the present financial structure of the CNR.

● (2132)

With recapitalization, the 1978 profit figures could reach \$68.3 million; the 1979 profit figures could reach \$136.7 million; the 1980 profit figures, \$192.6 million; the 1981 profit figures, \$215.5 million; and in 1982, we could see a projected profit of \$267.8 million. Once again, these are the CN's own profit projections.

If we take into consideration that there will be a possible adjustment to the statutory rate, some adjustment in respect of Newfoundland transportation problems, which is the subject of a royal commission study at this time, and the impact of an adjustment in the Crow rate, the 1978 profit figures with recapitalization would reach \$130.1 million, as compared to \$68.3 million. In 1979 the figure would reach \$193.8 million, and it moves up to a figure of \$294.2 million in 1982, at which time the CN would be in a tax bracket that would subject it to \$116 million of federal income tax. This would be because by that point all the deferred income tax would be exhausted. With that payment of \$116 million in taxes, it would still be showing a profit of \$238.1 million. Based on CN's figures, it will be a very, very profitable corporation.

There is nothing wrong with a Crown corporation being very profitable, but the fact is that the corporation would be in a good financial position without this recapitalization bill. At the present time, the CNR seems to have a great deal going for it. In fact, before the Standing Committee on Transport and Communications, some people indicated that CN had too much going for it. We talk about the fact that CN is getting out of passenger service, which will have a direct effect on its earning capacity. Because of pressure brought to bear by the House of Commons, we are continuing to purchase hopper cars for the movement of grain by both CN and CP. There is a continuing consolidation and rationalization process ongoing in western Canada regarding grain handling systems.

This process has the effect of reducing the costs of doing business. We have the potential of some adjustment to the Crowsnest Pass rate. There is the impact of the provisions of the budget, an additional 6 per cent depreciation for the purchase of equipment. All in all, the CNR, with or without this bill, appears to have a rather bright economic future, provided the management of the company remains intact and is constantly on top of all phases of its operations.

We must take the position as a party that this bill is not really needed at this time. At least, it should be postponed until some of the proposed government measures are more widely known. There are many variables at the present time that should have a considerable impact on the total consideration of this piece of legislation. Until such a time as the full impact of these other developments are felt, it would be sheer irresponsibility on our part to pass this bill and give it our full support. Therefore, we recommend that the bill not be proceeded with. Because of CN's financial recovery, the prospect of its moving out from under passenger deficits and the grain handling deficits, another recapitalization should be delayed until such time as the impact of these factors can be assessed properly.

As representatives of Canadians, we must ask ourselves a number of questions. What benefit will accrue to the Canadian public from the passage of this bill? What guarantees do we have that we will not have more CN towers, shopping centres and investment in ventures not necessarily related to the transportation system? What guarantees do we have that we will have a better service? What assurance is there that the