

TRANSPORT

CANADIAN NATIONAL RAILWAYS—RECAPITALIZATION

Hon. H. A. Olson (Minister of State for Economic Development): Honourable senators, I should like to respond to a question raised by Senator Smith on November 19 concerning the recapitalization of the Canadian National Railways.

I am informed that in the statement referred to by Senator Smith, the President of CN was expressing his concern that capital expenditures required to handle forecast traffic, especially in western Canada, may be beyond the ability of the company if it is to maintain its debt load at prudent levels.

As honourable senators know, under the existing legislation CN is limited to providing for its capital needs through self-generated funds, borrowing or federal financing. As the situation now stands, the issue raised by the President of CN is currently being studied. I can assure honourable senators that adequate capital for its 1981 plant expansion needs are being budgeted for by CN.

ENERGY

GAS TRANSMISSION COSTS

Hon. H. A. Olson (Minister of State for Economic Development): Honourable senators, I should like to respond to a question raised on October 29 by Senator Haidasz concerning the cost of transmitting gas.

The city gate price for maritime consumers will be the same as that paid throughout the entire eastern zone. One of the main objectives of the federal government is to encourage consumers in the maritime region to convert to energy sources other than oil. This is a primary concern of the federal government, ensuring a common city gate price. We believe in the long term that all consumers will benefit as we reduce our dependency on foreign oil.

● (2100)

EFFECT OF SPOT PURCHASES ON OIL PRICING

Hon. H. A. Olson (Minister of State for Economic Development): Honourable senators, I have delayed answers to two questions asked on November 13 by Senator Austin and Senator Roblin concerning the effects of spot purchases on oil pricing.

I am informed that oil consumption within International Energy Agency countries is currently low compared with recent years, resulting in high oil stock levels, and utilization of spare capacity could contribute to a better world energy balance.

As a result, on October 1 member countries agreed to undertake certain measures to limit spot market activity through the use of surplus oil inventories by companies in consultation with the governments. Commencing the week of November 17, the effects of these measures were being reviewed by the IEA's Standing Group on the Oil Market and the Governing Board.

At the IEA ministerial meeting scheduled for December 8 and 9 this program will be reviewed in relation to the Iran-Iraq situation, and at that time it will be decided if further action will be required to ensure an orderly international oil market.

TRANSPORT

CANADIAN NATIONAL RAILWAYS—RECAPITALIZATION

Hon. G. I. Smith: Honourable senators, I thank the Minister of State for Economic Development for his answer relating to the CNR and capitalization; but perhaps he will permit me to say that the answer, as I heard it, does not respond adequately to the question I was trying to ask. As I recall it, I was reminding the minister—and I am sure he did not need reminding—of the recapitalization which was approved by Parliament in 1978, I believe, although I do not have the date before me—

Senator Olson: It was 1952 and 1978.

Senator Smith:—and what some of us, perhaps innocently or naively, thought were the assurances given in 1978 that this recapitalization would serve to meet the needs of the CNR for some considerable time in the future. My real desire was to find out what has occurred within that relatively short span of two years to cause the recapitalization—which Parliament was then led to believe, in my opinion at least, would be adequate for some considerable time in the future—to turn out to be so inadequate.

Hon. H. A. Olson (Minister of State for Economic Development): Honourable senators, I will take that question as notice, but my honourable friend should realize that the CN has taken on some very necessary and very large increased capacity projects in western Canada, particularly through what they call the northern route, from Edmonton to Jasper, and from there to Vancouver, or down into the lower mainland; and also what appears to be a rather significant if not very large capitalization requirement for the capacity to accommodate a large tonnage to Prince Rupert, where we have announced we are building a new port, and indeed a great amount of rolling stock necessary to respond to what may be a demand for greatly increased coal shipments to those two ports.

Senator Smith: Certainly I would not object to the usefulness and necessity of financing those great projects, which are of value not only to the west but to the whole country. I do not quarrel with that, but I do find myself wondering how it is that two years ago, when representations were being made concerning the capital needs of the CNR, those great projects—which even then were in process of consideration, if not construction or implementation—could have been forgotten.

Senator Olson: Honourable senators, I will take the question as notice and obtain some more detail. However, I would assure my honourable friend that I believe the possibility of