

Canadian National Railways and Air Canada

Mr. Don Blenkarn (Mississauga) moved:

No. 1.

That Bill C-164, an act to authorize the provision of moneys to meet certain capital expenditures of the Canadian National Railways system and Canada for the period from the 1st day of January, 1973, to the 30th day of June, 1974, and to authorize the guarantee by Her Majesty of certain securities to be issued by the Canadian National Railway Company and certain debentures to be issued by Air Canada, be amended in paragraph 3(1)(a) by (a) deleting the figure "\$225,500,000" in lines 3 and 17 on page 2 and substituting therefor the figure "211,021,000" and (b) deleting lines 13 and 14.

No. 2.

That Bill C-164, an act to authorize the provision of moneys to meet certain capital expenditures of the Canadian National Railways System and Air Canada for the period from the 1st day of January, 1973, to the 30th day of June, 1974, and to authorize the guarantee by Her Majesty of certain securities to be issued by the Canadian National Railway Company and certain debentures to be issued by Air Canada, be amended in paragraph 3(1)(b) by deleting line 22 on page 2 and substituting therefore the following:

"lines but excluding any amount in respect of hotels or C.N. Tower Limited) in the calendar year 1974, prior to"

Mr. Deputy Speaker: Is it the pleasure of the House to adopt the said motions?

Mr. Blenkarn: Mr. Speaker, motions Nos. 1 and 2 deal with the proposal by Canadian National Railways under clause 3 of this bill to invest a further \$5,679,000 in hotels and \$8,800,000 in the period before us in the company called CN Tower Limited, and to proceed with further investments as are required during 1974. It is to these issues that the attention of the House should be directed.

First I want to deal with the way this national company has been handling the funds of the people of Canada, particularly with reference to its hotel operations. In 1971, with respect to the six hotels operated by Canadian National Railways, having a value of some \$46 million to \$47 million, the railways returned a profit of \$430,000, not even 1 per cent on investment. In 1972 they did not do quite as well; they got only \$416,000. But by that time they had invested pretty close to another \$400,000 so that their investment had gone up to \$47,187,393.

This national company has demonstrated that it has no management capacity in the operation of the hotel business. After much pressure in committee, the corporation produced statements on its management return on a specific hotel-handling during 1971 and 1972. I think it is fair for me to acquaint the House tonight with some of the results of that management to show how this corporation has taken the money of the people of Canada and literally thrown it down the sewer.

They sold the Bessborough Hotel for a little more than \$1,600,000 this year. I want to talk about that hotel because I understand the buyer is making a profit on it. Let us consider what they lost on this hotel during 1971; they lost \$400,000, and in 1972 they lost another \$400,000. During 1971 and 1972 they ploughed only \$214,000 into the Bessborough Hotel. In round figures, what's a million? Having lost or spent \$1 million of our money in two years, this hotel was sold for \$1.6 million to a private investor. The private investor made a profit because he knew how to operate it.

● (2010)

This corporation now has the gall to come to this House of Commons for money. I notice the Minister of Finance (Mr. Turner) is not even proud enough to be here, but the Minister of Transport (Mr. Marchand) is, to ask the approval of this House for an advance to this railroad of over \$5 million of Canadian funds earned from the hard work of Canadians. This is to be ploughed into the corporation.

The Fort Garry Hotel sits in a lovely spot in the city of Winnipeg where the land has great value. It only lost \$186,000 in 1971 and \$265,000 in 1972, and the company added another \$109,000 of investment in the hotel. There you have another half million dollars down the sewer in two years, yet they come to us and say they need more money for hotels. They say, "This is a national company and it is important in serving the people of Canada".

If you look at schedule H on page 20:100 in the committee report you will find reference to the Jasper Park Lodge. As the hon. member for Crowfoot (Mr. Horner) says, that is a pretty fine lodge. They even advertise it on Air Canada; they are going to give a free two weeks' holiday in the Rockies. They invested \$125,000 in a two-year period in that hotel over and above regular depreciation. In other words, the book value had gone up \$125,000 even though in the period they took the ordinary capital cost allowance applicable. In 1971 they made \$123,000, and in 1972 they made \$160,000. Of course, it is only worth \$8,700,000, so that is a return on investment of about 2 per cent. I will talk about return on investment in a moment or two when I get into the cost of money.

Mr. Horner (Crowfoot): Do you realize that the only way you can get to Jasper is by train?

Mr. Blenkarn: You can get there by Tilden car. You fly to Edmonton and take a free Tilden.

Mr. Horner (Crowfoot): I have never had a free Tilden.

Mr. Blenkarn: You ought to fill in this form and find out how to get there. Then we have the McDonald Hotel in the oil capital, Edmonton. It made \$15,000 in 1971 and \$31,000 in 1972. Of course, we only have \$8.3 million invested in the McDonald Hotel. That is the kind of return the people of Canada are expected to accept on their money—\$31,000 on \$8.3 million. We have some good hotels. In 1972 the Newfoundland Hotel had a return of \$107,000, giving us 6.9 per cent on investment. Then we have the Nova Scotian Hotel, the best apple of the whole group, which managed to return 8.1 per cent on investment.

An hon. Member: Good management!

Mr. Blenkarn: When we asked the CNR how they are going to finance the \$200 million worth of bonds coming due in February this year, they told us that their money is going to cost 8 per cent or so. The finest hotel in their whole chain will merely earn enough money to pay the interest on the money they are borrowing. That is the kind of situation we have, Mr. Speaker. We have this national company using the money of the people of Canada in a way that cannot be countenanced by members of this