

Some hon. Members: On division.

Motion No. 1 (Mr. Blenkarn) negated on division.

● (1630)

**The Acting Speaker (Mr. Laniel):** Accordingly, as previously stated, disposal of motion No. 1 does at the same time dispose of motion No. 2 appearing in the name of the hon. member for Mississauga (Mr. Blenkarn) and this motion is defeated on division.

Some hon. Members: Agreed.

**The Acting Speaker (Mr. Laniel):** If hon. members have no objection, we might proceed at this time with motion No. 4 which has been announced as acceptable to the Chair. We could leave motions Nos. 3, 5 and 6 to be examined afterwards and perhaps we could have an exchange of views on the procedural acceptability of those three motions then.

Some hon. Members: Agreed.

**Mr. Don Blenkarn (Mississauga) moved:**

Motion No. 4:

That Bill C-5, 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 7(4)(a) by deleting line 44 on page 5 and substituting therefor the following:

"shall not exceed \$133,300,000; and"

He said: Mr. Speaker, the motion calls for a reduction of some \$6.7 million from the \$140 million demanded in clause 7(4)(a) of the bill. The amendment arises from discussions in committee, especially those that took place with Mr. Cochrane from Air Canada. When he was asked why Air Canada needed \$140 million, he produced a 1973 revised budget which indicated the moneys required. At this point I might say that while the bill previous to this one, Bill C-164, was introduced in the spring of 1973, it was not determined that Air Canada needed \$140 million until August, 1973.

The Minister of Finance (Mr. Turner) who is here today, is responsible for introducing the bill calling for the payment of \$140 million to Air Canada. But at the time the original bill was introduced, Air Canada had no budget to indicate how this money was to be spent and they did not organize a budget until August, 1973. As a member of this House, I find it shocking that the Minister of Finance should introduce a bill calling for an appropriation for a Crown corporation without an examination of the figures that indicate the need for that advance.

We spent some time analysing the statement produced by Mr. Cochrane who attempted to justify a number of items. Rather than go into the depreciation allowances on aircraft and whether the exact deferred charges, interest charges and finance charges as well as the calculations for decrease and increase of working capital were exactly correct, we looked at one particular item, the requirement for this \$140 million. We find in the statement produced by Air Canada a request for \$6.7 million, not to fix up aero-

*Canadian National Railways and Air Canada*

planes, not to expand air routes, but to go into a subsidiary business.

This corporation has an obligation to the people of Canada to run an air service and that is why it was incorporated. Like their parent corporation, the Canadian National Railways, they have decided to grow, not in the air field. They are going to become another colossus and have associated with the railway in a consulting service. In addition, they have associated themselves with Commonwealth Holiday Inns, and others in the hotel business. They intend to go into the charter business, and because they cannot run it effectively themselves, by their own admission, they propose to buy a percentage of Wardair Canada Limited. They also intend to go into the manufacture of aircraft and into the aerospace industry in partnership with Comstock Limited.

First of all, let us consider the arrangements made with Wardair. Mr. Max Ward is a pretty competent man. He has built a first class business in the charter field. When giving evidence before the Canadian Transport Commission, Canadian Pacific Airlines indicated that although it owned very few planes, Wardair had 35.6 per cent of the Canadian charter market. Clearly their operation in the charter field is the best in Canada. When Wardair needed some money, the vice-president of Air Canada, Mr. Bond, conferred with Mr. Ward. He examined the statement of Wardair and thought "My goodness, Wardair really knows how to do things; maybe we could learn something from Mr. Ward." Mr. Ward is a good businessman and he said, "Well, I could sell you a piece of my company." The balance sheet shows that Wardair is valued at \$3.5 million but Mr. Ward, being a good businessman, arranged to sell to Air Canada 30 per cent of his company—not for 30 per cent of \$3.5 million but for \$2.7 million. That was a good deal for him.

The proposition then went to the Canadian Transport Commission which was most concerned that the purchase by Air Canada of 30 per cent of Wardair would not reduce competition in Canada. On the basis that the purchase was only for 30 per cent, the commission decided that this would not produce competition and allowed the transaction to be completed. That decision was appealed to the Governor General in Council and that is where the case has been for over six months.

Mr. Speaker, you will recall that a motion was made in the hearings on this bill before the Standing Committee on Transport and Communications, directing the government not to approve the purchase by Air Canada of 30 per cent of Wardair. The motion delivered by that committee to this House was ruled out of order, however, and the matter could not be debated. Nonetheless, the matter is still before us because in this financing bill, \$2.7 million of the \$6.7 million that is the reduction set out in this amendment to the statute, is for the purpose of completing the Wardair transaction.

● (1640)

Sir, we examined the Wardair balance sheet. Air Canada suggested that the company was really worth \$8 million. We found that Wardair, like all air lines, amortizes its commitments to reflect the true life expectancy of its aircraft. So, we also looked at its aircraft. We found, at the