

*Canadian National Railways and Air Canada*

fair that I should bring to the attention of the House some of the activities of our national railway with regard to its operation of hotels, and indeed with regard to its operation of a number of activities, although hotels and a tower are referred to in these amendments. I say to you, Sir, and to this House that this Crown corporation is spending much of its efforts and energies on the great and grandiose and is not concentrating as it should on supplying proper rail transportation to those who need rail transportation in Canada.

With regard to hotel operation, the activities of this railroad over the past many years have been a horror show. The railway became involved in the hotel business after it was organized because it decided it would like to emulate the Canadian Pacific. It proceeded to acquire and build a number of hotels throughout Canada. At one time it had hotels in Brandon, Thunder Bay, or Port Arthur, and in Charlottetown. It had lodges in Ontario and in Quebec. It still has a lodge, as you know Sir, in Jasper. The result of its management of hotels over its entire history has been that it has been one great big loser.

With regard to the 1972 statement, it became apparent in the committee that the five hotels managed by the Canadian National Railways have a book value of some \$43 million and that the total profit generated was only some \$400,000 or a return of less than one per cent on the capital investment. Looking at the income or revenue from these five hotels we find the revenue was \$23.9 million. So, the profit of \$400,000 received on revenue is a return of less than two per cent on the total turnover of cash. This is bad enough, but when we compare it with the Canadian Pacific, we find that the Canadian Pacific has a return of 5.7 per cent after taxes in the management of its hotels.

This railway continues its desire to go further into the hotel business. Indeed, when the President of the railway was asked in committee about the new project in Moncton, he said he hoped this new project would provide the railway with a return of 12 per cent on the money invested. If this should occur it would be the first time this railway ever returned 12 per cent on anything. But even if it did return 12 per cent on money invested, is that a realistic return when one looks at the fact that the rates on first mortgages are now 10½ per cent and 11 per cent. There is ample private money to build hotels and provide hotel accommodation and this is no longer necessary to the operation of the railways. People do not, as a practical matter, travel between cities by train. They travel by air. Private concerns like Commonwealth Holiday Inns of Canada and so on have been building hotels and hotel facilities all across Canada through the use of private funds. Hotels are really organized to serve conventions and to serve the public generally in the cities in which they exist.

Hotels are not a necessary adjunct to the transportation system. There are sufficient hotels. They are being built by private concerns as investments. They are built through the use of private capital. Public capital must be preserved for the provision of service to the people of Canada. Yet, Sir, the railway decides to come to this House of Commons and ask for appropriation of some \$5.6 million to expand its hotel business. It is a disgrace that this should happen. I am glad the Minister of Finance (Mr.

[Mr. Blenkarn.]

Turner) is here today because when he appeared before the committee he said he looked at the problems of the railways in terms of the global aspect and did not go into the detail of hotels. I am sure that had he thought about the money of the people of Canada which goes into hotels he would at least have read the glorious account of the Canadian National Railways as related by the author G. R. Stevens in his book that was published in 1970. Mr. Stevens talks about the losers in the hotel business and the fact that the hotel operations of the railways do not work and do not produce a profit.

When appearing before the committee, the minister asked what about the Queen Elizabeth Hotel in Montreal. When one examines the figures one finds, in fact, that this hotel does produce a return of about 10 per cent on the money involved. The Hotel Vancouver produces a return of 6.7 per cent on the money involved. These hotels, however, while they might be owned by the railways are not really Canadian National Railways hotels at all but are Hilton hotels. The Canadian National Railways realized it could not manage hotels, at least these two structures, and turned them over to that American hotel chain management company. When one looks at the profits of the railway in its operation of hotels one gets the picture that on, \$43 million of public money invested as a minimum we receive a measly \$400,000 return in the form of a profit.

Let us look at these hotels. First, we have the Hotel MacDonald in Edmonton. The Hotel MacDonald is a huge hotel in the city of Edmonton. It is a well-built structure; it is an impressive building. It has ample rooms and facilities for conventions and the like. This hotel returned to the railway \$15,000 in 1971. In 1972, it had a good year and showed a profit of \$32,000. The investment in that hotel is \$8.9 million. In such a situation, I suggest that it is the responsibility of the government to say to the railway that it is not doing a good job in this regard and that it should get out of the field because it is not competent in it. Yet the government is prepared to bring to this House an appropriation that would enable the railway to use \$5.6 million to expand its hotel operations.

● (1620)

For a moment I want to relate to the House a horror story that is almost as bad as the story of the *Bonaventure*. You remember that famous aircraft carrier, Mr. Speaker. I want to recount the horror story of the Hotel Bessborough. The Bessborough was built in the depression with good, hard brick and was well trimmed out. It has fine panelling and it is located in what is probably the best site for any hotel or any structure in the city of Saskatoon. It is between the two bridges and it owns all of the property there. It is right in the main business section of the town. It is a glorious site. In 1971, the hotel lost \$400,000. In 1972, it lost another \$400,000. Then, in 1972 we spent \$214,000 on renovating the hotel.

Then, the CN decided to sell the hotel and they scratched around for a buyer. A promoter from the province of Saskatchewan went down to Montreal, sat at a table with the directors of the railroad and asked them what they wanted for their hotel. He was prepared to pay a fair dollar for it, even despite its losing history. They said: "We don't know; make us an offer". So, he lowballed them, by his own admission. He made them an offer of \$1.6