

Railway Act

Further on in the recommendations from the submission it is stated:

The purchase of transportation plant and equipment, rail cars, locomotives, trucks, container ships, aircraft and pipeline facilities to meet peak demand and/or essential services.

11. Subsidization of inter-city and inter-urban rail passenger service where it is in the public interest to ease congestion of highways, improve the quality of life and to cope with pollution problems caused by other forms of private and public transportation, subject to the railways' equipment, plant, route and frequency standards being approved by an appropriate regulatory body and conditional upon the full protection of all employees affected.

Compare that, Mr. Speaker, with all the lay-offs of workers and you will see how far apart we are from that.

I want to support the proposals which were made by the Canadian Railway Labour Association. I want to support their concept in viewing transportation as a necessity in a modern country as large as Canada. A transportation system must meet the needs of the people. If we do that we must change our idea that the CNR as a corporation must show a profit because that profit will be made. It has been made at the expense of the people of Canada; at the expense of employees who have been laid off and at the expense of people who are now receiving less service than they ever did before.

Having spent most of my time saying what is wrong with the government's policy, what is wrong with Dr. Bandeen's policy, what is wrong with the Minister of Transport's policy and the policy we have followed, I now come back to the only question which we are asked to vote on, and that is the proposal in this bill to recapitalize some \$800 million of the CN's debt.

For the reasons which I have indicated earlier we support that proposal. However, we look with a great deal of suspicion at the reasons why this minister is proposing this and what he intends to do with the CNR, if he is permitted to, and if he brings the CNR into a better financial position. We want the CNR in a better financial position and we want the CNR used to meet the real needs of the Canadian people but not by way of permitting private investors to make a profit on a system which the Canadian people have already paid for, not once, not twice, but probably ten times.

Mr. Stan Schellenberger (Wetaskiwin): Mr. Speaker, some years ago when I was reading the history of the CNR, I believe it was at university, I read about its recapitalization in 1937 and 1952. I did not realize at that time that I would have an opportunity to speak on the subject of the recapitalization of the CNR at some point in my life. Nevertheless the bill is here before the House of Commons. Once more the question of relieving debt for our great national railway, the CNR, has come up so that it can continue on and compete.

I have listened with a great deal of interest to the complaints of hon. members, particularly those from my far left, concerning the great debt which the CNR had inherited and which, over the last 50 or 60 years, it has been unable to recover from. At the same time I look at the other railway which services this nation. I have often wondered why that railroad could come out from under an almost similar debt, not having any of its debt relieved. It has, of course, taken advantage of

[Mr. Orlikow.]

depreciation allowed over the years and in most cases it has been able to pay a dividend to its shareholders.

During the preparation of my comments I came across a 1935 critique of CNR operations. I was not too surprised to read the following statement "The most important financial problem of the CNR is its tremendous burden of debt in relation to the earning power of the system". This argument has been used many times over the years. This statement was valid in 1935, and I suppose it could just as easily have been written today. We are again starting with a debt position of close to \$810 million that we are attempting to relieve.

The CNR, as I have stated, throughout its history has been unable to rid itself of its financial burden. As other speakers have outlined the history of the CNR debt, I am just going to gloss over it quickly again. Attempts have been made to eradicate this debt. In 1936 the total long term debt of the CNR amounted to \$2.3 billion. In an attempt to reduce this, a Capital Reorganization Act was introduced in 1937, and the effect of this bill was to wipe out almost half of this debt. In 1952 a further capital revision act was enacted.

● (1752)

Thus, through the Capital Revision Act, whereby an additional \$736 million of historic debt was converted into 4 per cent non-cumulative preferred shares, interest payments on a further \$100 million of debt were deferred and a nine-year direct subsidy was provided by way of purchasing annually further equity equal to 3 per cent of the gross revenue of the National system. The enactments of 1937 and 1952 were both attempts to stem the mounting debt figures revealed each year in the Crown corporation's annual report, and the effect of the 1952 act was to give the CN a debt/equity ratio closely aligned to that of the CPR.

Despite this government intervention, it was again necessary to rework the balance sheet of the CNR in 1962, and here we are in 1978 with Bill C-17 before us, a bill which will allow the CNR to rewrite its balance sheet once more through the elimination of \$808 million worth of debt, debt which Mr. Bandeen has attributed to CN's failure to take certain depreciation charges into account in previous years. I suspect this was particularly the case in the late fifties when CN went into diesel service. This contributed to a large part of the debt, and also to its inability to produce profits through the sixties.

Mr. Bandeen stated that the relief of this debt would provide the CNR with a debt/equity ratio of 38 per cent. Again we see that this equity ratio is similar to that of the CPR. Over the years, and it is important that this figure be placed before the House, all these acts, including this bill that we will pass here fairly shortly, will relieve the CNR of some \$6.7 billion of debt. That is a tremendous figure. In committee we have to deal with the reasons why, over the years, such a great amount of debt had to be written off in order that this corporation can continue to provide a service.

Given the debt saga on the CNR, our scepticism at claims that this is the last time that the CNR will approach the federal government for debt is certainly understandable. I