

Some hon. Members: Agreed.

The Acting Speaker (Mr. Ethier): It is ordered that motions Nos. 2 and 5 be grouped for one vote. We are now on motions Nos. 3 and 4, which are grouped for debate.

Mr. Sinclair Stevens (York-Simcoe) moved:

Motion No. 3—

That Bill C-3, an act respecting the reorganization of Air Canada, be amended in clause 10 by striking out lines 25 and 26 at page 6 and substituting the following therefor:

"corporation is four hundred million dollars divided into shares of ten".

Motion No. 4—

That Bill C-3, an act respecting the reorganization of Air Canada, be amended in clause 10

(a) by striking out lines 34 and 35 at page 6 and substituting the following therefor:

"(3) The shares of the corporation when issued to the minister";

(b) by striking out line 42 at page 6 and substituting the following therefor:

"by this act, but shares so issued are transferable in accordance with section 47 of the Canada Business Corporations Act."

He said: In speaking to motions Nos. 3 and 4, I would again like to give an explanation to the House as to why we feel these motions deserve support. Dealing, first of all, with motion No. 3, we propose that clause 10, which appears on page 6 of the bill, be amended to provide that, rather than that there should be \$750 million of capital divided into shares of \$1,000 each, there should be \$400 million worth of capital divided into shares of \$10 each.

● (1712)

If I may speak to that amendment first, the evidence which was given before our standing committee made it very clear that the Air Canada management does not project using more than \$370 million of capital between now and 1981. As we have already stated, its present capital is only \$5 million. If this bill goes through, the government proposes to increase that capital by \$365 million, to \$370 million.

Our feeling is that if we look down the path for as much as five years and see that Air Canada will need only \$370 million in capital, why does the government propose to authorize \$750 million? In truth, I think this is a way in which the government feels it can bypass parliament. Clearly, if Air Canada decides at a later date, notwithstanding its projections which make it clear that it needs only \$370 million, to add another \$100 million or to go right up \$750 million, and if the government has this legislation in its present form, there will be no obligation to come back to parliament to ask for a new amendment to the Air Canada Act. In short, we are nervous about giving Air Canada \$750 million worth of capital. That would mean that it would be the most capitalized airline in the world. It would mean that it would have capital which would impose absolutely no fetter on it.

At 10 per cent that amount of capital could produce \$75 million with no difficulty at all. That is a tremendous subsidy to be given to any Crown corporation by the people of Canada. Why the government insists on this is not clear. Our sugges-

Air Canada

tion that the capital be authorized at \$400 million appears to be a very common sense level at which to leave it. It allows \$30 million of additional capital over the \$370 million Air Canada asked for in its own projections.

Air Canada claims it can run the airline at a profit. In fact, by 1981 Air Canada says it can have the \$70 million worth of retained earnings to which I referred earlier, so that leaves Air Canada with \$440 million of capital and retained earnings at that point. Again I would like to point out that Air Canada's total assets would then be about \$1.26 billion. That is what Air Canada claims. If that is so, having a capital of well over 40 per cent of its total assets is, I think, completely adequate.

The first thing we are asking for in motion No. 3 is that the government accept a lower authorized capital level of \$400 million as opposed to the \$750 million the government is proposing as a safeguard, and if more capital is needed for some reason in future years, let the government come back through the same route it is taking today and ask for the additional capital. In its wisdom, at that time parliament may or may not allow it; but why leave it to the government of the day to be able to hand out that additional capital with no further reference to this parliament?

We do not contemplate any gigantic dividends as far as the capital is concerned. The projections show a 4 per cent dividend running through to 1981. Now, 4 per cent with inflation running at 8 per cent is almost a laugh. It is a laugh if there is any serious intention on the part of the minister to make this stock in Air Canada saleable to private interests at some future date.

Speaking of making the stock saleable to private interests, this brings me to the second part of motion No. 3. As I indicated, we are proposing that the shares in Air Canada have a \$10 par value as opposed to the \$1,000 which the minister is suggesting. I do not think this is an unreasonable request, because presumably in the wisdom of C. D. Howe the present shares of Air Canada are \$100. If there is any serious consideration on the part of the minister to allow Air Canada to be owned partly by private interests, why would the government raise the par value of the shares from \$100 to \$1,000? Our suggestion is to lower the par value to \$10, and then perhaps some of the ordinary investors in this country would have an opportunity to buy some of those shares, if they are ever saleable, instead of having to put up \$1,000 for just one share in the airline.

That is the thrust of motion No. 3. We are simply saying that Air Canada should be realistic with regard to its authorized capital. Four hundred million dollars is \$30 million more than it is contemplated will be needed over the next five years. We say the par value of shares should be \$10, so that ordinary investors will be able to buy them, if there is a serious intention to make them available, instead of selling them at \$1,000.

Motion No. 4 deals essentially with the question of how realistic we are in assuming that Air Canada shares might be saleable to the private sector at some future date. As I indicated, the balance of clause 10 in Bill C-3 deals with the