

Railway Act

provide a similar boost to those who work throughout the CN railway system, men and women who have also helped in recent years to improve the productivity and efficiency of the over-all operation.

The interest which will be forgone on converted debt would be more than offset by the elimination of the requirement for the government to purchase CNR preferred shares. Indeed, it is estimated that over the next five years the net gain to the federal treasury will be in the order of \$145 million.

Another important feature of the proposal from the government's point of view is that CNR will be required to pay annually to the federal treasury a dividend equal to 20 per cent of its profits or such higher amount as the governor in council may direct. For the first time in over 20 years the Canadian people will be receiving a monetary return on their equity in the company.

A further feature of the proposal would see the consolidation of the remaining CNR debt held by the government, and its repayment rescheduled in a manner that would facilitate cash management for the government's account by the Department of Finance.

Finally, there is the proposed merging into common shares of the present preferred shares and the government's investment in the Canadian government railways. There will also be a reduction of equity in recognition of depreciation attributable to years prior to the adoption of depreciation accounting. This "cleaning-up" action, coupled with the more realistic debt/equity relation and the enhanced ability of the CNR to register and retain profits in the future, will place the company on a more readily understood financial basis and reduce the possibility of having to come to the government for funds.

● (1642)

[Translation]

As the long term advantages of this project of reallocation of capital, the CN will be able to meet its financial and operational needs without the assistance of the government of Canada. On the short term, that is for this financial year and the next, as the right hon. Prime Minister (Mr. Trudeau) told the House on December 19, 1977, we will avoid outlays of about \$100 million and by that very fact we will be able to cut down \$80 million from next year's main estimates. On the medium term basis, that is over the next five years, it will no longer be necessary to allocate in the main budget an amount of \$470 million for the purchase of preferred shares; the interest lost by writing off the debt will amount to \$320 million but the federal treasury will record a net saving of \$145 million. In addition, all dividends collected by the government will represent additional revenue. These are important advantages from the viewpoint of the government of Canada.

[English]

During the past two years the financial structure of the Crown corporations reporting to the Minister of Transport has been examined and restructured where necessary, for example, the St. Lawrence Seaway, Air Canada, and the Northern

[Mr. Lang.]

Transportation Company Ltd. Passage of this bill will bring the financial structure of the CN closer to that enjoyed by other Crown corporations. It will provide a framework which will reduce the government's financial requirements in the future and clearly impose on the CN the responsibility and accountability to manage a financially viable, self-supporting institution.

Hon. members will have seen the effect in the last year or two of the new policy of the government in relation to its major Crown corporations, particularly CNR and Air Canada. Both of them in preliminary statements or estimates of their financial position indicate that in the current year they will be turning past deficits into profits. The profits, it is true, are still relatively small, but the policy is to emphasize increasingly that the government, on behalf of the people of Canada, expects these major Crown corporations to operate as efficiently and effectively as possible. In our view, we should not cloud their performance by imposing obligations upon them to carry out even good public services unless we are prepared to quantify the cost of that public service and to pay the price for it directly.

In the past, far too often the morale of management and their ability to handle their affairs effectively has been adversely affected by these obligations imposed on them, without consequence to cost and over-all profitability and efficiency. That is not our intention, nor is it our intention to be involved as shareholders in what might be called the day to day management of the corporation. That is best left in the hands of the best possible management of the best possible board of directors in the usual commercial way, not subjected to day to day variations of the whim of the minister or in response to immediate demands of a particular member.

I think it is important that we continue to allow these corporations to provide the best possible service in this way. Both of them this year are not only turning past deficits into profits but are doing so with a measurably increased performance in terms of the load of work they are accomplishing. Both CNR and Air Canada are doing so with a smaller use of over-all manpower, demonstrating the greater efficiency they have achieved in comparison with a year or so ago.

It is important that we now put CNR on a basis more in keeping with the debt equity ratios of other corporations performing similar functions. But the challenge is that hereafter it should so manage its affairs as to be efficient in the provision of service, and therefore efficient in the use of the investment which the people of Canada have in it, and that it make a progressive return on that investment which is more appropriate to the size of that investment. We in turn should restrain ourselves from demanding of it things which may serve other purposes, unless we are prepared to pay the price. We have stated that such is our policy. We should see the result of this policy over the years in the continuing good performance of the men and women who work in these two great corporations, from the lower levels to the very top management. This is our hope as we move second reading of the bill at this time.