

longer. While we were competing in Canada, Eastern Airlines, under a section 11 bankruptcy proceeding, continued to compete in our Canadian markets while it was going through extensive debt restructuring.

Here we have two airlines based in the United States competing with Canadian airlines for the same markets. What does this mean with respect to our situation in Canada? How does the bankruptcy legislation affect our ability—and I get back to our mercantile position again—to compete *vis-à-vis* American competition, not only in airlines but in all other economic endeavours?

Under the present legislation what would happen if Air Canada or Canadian Airlines, our two major operating airlines, were not able to handle their unsecured debt, their unsecured creditors? I would doubt very much that those two airlines would be able to continue to exist on a competitive basis, or would continue to exist at all. We saw the competition in the United States under Eastern, which has finally closed three years after the fact, and what Pan Am is going through. That shows fairly clearly that a mercantile law passed by one country compared to a mercantile law and bankruptcy law in Canada failed to make Canadian corporations as competitive as the American corporations. I say harmonization should include the mercantile laws of both countries.

With that bit of historical perspective and some of the facts that have led us up to the legislation that is before us, we have now tried to harmonize the bankruptcy laws in Canada and the United States. Unfortunately, what we have before us is a piece of legislation that closely copies or parrots the legislation of the United States. I feel badly about that because certainly we in Canada can let our vision expand and say “here is what has been effective in other countries in the world with respect to this type of legislation, and how can we become better in Canada to make us more competitive and to protect our workers within our own country?”

We must understand that there are differences in our economies, differences in our sizes and differences in our lending institutions. Our lending institutions are more secure in Canada today than those in other countries of the world. The fact that our economy may be more important is resource based. We can be more

### *Government Orders*

effective and develop a more progressive piece of legislation that would benefit not only our economic position within Canada, our economic position outside of Canada, but would provide a degree of safety for all of our workers who work within any business in Canada. We see on a constant basis that they are being hard done by when companies fail to respond to the burdens that are placed on them in a financial way.

When we discuss commercial competitiveness today I don't think we can look at bankruptcy legislation again in isolation. When this present legislation was brought into force what we see is the advent and the copying, as I said, from the uniform commercial code in the United States. It is what we call today and what we, those who practised some law before we came to this House, term the security interest and the personal property security law that has been adopted within the last eight or ten years in Ontario and other provinces in the country.

• (1820)

We all know, Mr. Speaker, that when we start talking about personal property security or corporate security that it is the priority of the registration, the performance of the registration, the perfection of the registration and the registration itself. There was a phrase that was coined in our school, that when it comes to security legislation, the race goes to the swiftest.

We are faced with a dilemma. Prior to this legislation being operative in Canada, we were not faced with these security interests that cause us to have some concern with respect to the protection. However, we are trying to correct them.

Coupled with this security interest legislation, we can never discuss bankruptcy legislation without talking about the security that the chartered banks have available to them. I forget what the section is, but I think sections 142 and 144 of the Bank Act allow banks to take a security interest in all of the chattels of the business and all the merchandise that might come in as raw material. It can follow the progress of that material. The security interest applies as that material flows through to its final product and might follow right through until the final sale of the product to an individual. So that extended security interest is available to certain banks in the country which finance corporations.