

*Canadian National Railways and Air Canada*

much capital to be left solely in the hands of individuals who cannot dispose of sufficient funds.

This is why, in view of these circumstances, we must vote supplies so as to ensure the development of the Canadian National Railways and Air Canada. In principle, Mr. Speaker, I can only approve the provisions of these funds by this government or the guarantee by this government on securities or bonds and debentures to be issued to finance these developments of the CN and Air Canada.

Without dealing with all the details, I note that the CN is authorized, in 1973, to make capital expenditures including investment in securities of affiliated companies not exceeding in the aggregate \$225,500,000, to enable the National Railway System to make capital expenditures of \$75 million during the first six months of the calendar year 1974 for discharging obligations incurred prior to January 1, 1974, and to enter into contracts not exceeding \$167,500,000 before July 1, 1974, for equipment, additions and conversions requiring payments after the calendar year 1973.

I spare hon. members some details in order to save time. But one can also see, in this list that we must recommend the provision of loans or the guarantee of securities to Air Canada not exceeding \$140,000,000 for discharging obligations of the airline that become due and payable in the period January 1, 1973 to June 30, 1974.

I leave a few more details aside and come to the clause that ends up the whole thing, and which is designed to authorize Her Majesty to make loans to the Canadian National Railways Company and Air Canada to meet deficiencies in operating revenues to June 30, 1974, any such loans to be repaid from revenues of the Railway Company and Air Canada or, if revenues prove insufficient by subsequent deficit appropriation by Parliament.

Mr. Speaker, in clause 15, one can read that section 3 of the Canadian National Railways Refunding Act, 1955, is repealed and the following substituted therefor:

"Subject to the provisions of this Act, the National Company may issue notes, obligations, bonds, or other securities (in this Act called "substituted securities") in respect of any refunding pursuant to this Act, to an aggregate principal amount not exceeding one thousand million dollars, and the Governor in Council may authorize the guarantee by Her Majesty in right of Canada, of the principal and interest of the substituted securities."

Mr. Speaker, we are being asked to give Canadian National and Air Canada officials some sort of a blank cheque for the amount of \$1 billion that they can borrow under the terms they want and at the interest rate they will determine both for things already mentioned and things to be determined.

Here again, Mr. Speaker, as a new member I am surprised at such a way of giving carte blanche to employees, and I cannot help noting it before our ministers and hon. members who wonder why Crown corporations always incur deficits while the Canadian Pacific makes profits.

It is often said that small private businesses must not be administered as the government or government businesses are because they will soon be bankrupt. The aforementioned examples show it well.

So far as the CNR is concerned, the most important fact that makes that large business nearly impossible to administer with profit is the build-up of huge capital that

[Mr. Allard.]

contributed to the creation of that company, the construction of railway tracks, that ribbon of steel and wood that crosses Canada from east to west and from the Pacific to the Atlantic.

I would not want my remarks to be interpreted as a general blame because it must be recognized that those railways were necessary and that in the main they contributed to the development of Canada. This country would not be the same today had those railways not been built.

When we look today at the annual statement provided by the company itself for 1972, for instance, we notice that the administration by itself is making a profit but that this administrative profit is consumed and surpassed by the interests alone on the debt accumulated since the beginnings of the company. This eternal debt will never be paid and involves increasingly higher interest rates each time there is a renewal of bonds which have expired and can only be reimbursed by the current revenue and expenditures administration.

If we look at the main figures of the 1972 statement, we see that the Canadian National has made net profits of nearly \$24 million on the administration of the railroad, but that the interests on the debt eat up this profit and have even caused an increase in the deficit of nearly \$18 million. This must be paid by floating a new issue which contributes to boost the total and eternal debt of the Canadian National. New interests will have to be paid on this debt at increasingly higher rates, as long as the decision is not taken to make reforms in this area, particularly as concerns interests on the capital.

In the present circumstances, the important thing is to understand what is going on, without intending to bring any changes. If we can do this, we shall see what needs to be changed because there is no limit to human intelligence, except that which it creates itself by leaving things as they are. This is much easier than changing our methods and it is also much more profitable for some people.

There is only one question to ask if we want to see things as they are and bring the required changes as easily as possible and that is: Whom does it profit? Who benefits from interest on capital? Who supplies this capital? How do they manage to generate it? And finally, if some people can provide us indefinitely with this capital, why could we not find it ourselves here in Canada?

I may be going a little far in my remarks on capital and interests that we are considering concerning the CN, but what is true here is also true in all other cases of capital issues at the rate of millions and billions of dollars. We might perhaps understand these financial problems a little better if we wanted to take a little more time to examine this phenomenon of everlasting debts which burden our annual operations. In 1973, we must still authorize the CN and Air Canada to borrow, to capitalize with the guarantee of the state or Her Majesty for an amount not greater than \$1 billion.

Since we are talking about the CN, I would like to comment on the fact that the recent strike could have been prevented if the authorities had striven for good management and if the managers had been aware of and felt