

NAYS

Messrs.

Alexander	Hamilton	Marshall
Andre (Calgary Centre)	(Qu'Appelle-Moose Mountain)	Mazankowski
Baker (Grenville-Carleton)	Hamilton (Swift Current- Maple Creek)	McCain
Balfour	Hnatyshyn	McGrath
Bawden	Holmes	McKenzie
Beatty	Howie	McKinnon
Benjamin	Huntington	Mitges
Broadbent	Hurlburt	Muir
Cadieu	Jarvis	Munro (Esquimalt-Saanich)
Coates	Jelinek	Murta
Cossitt	Kempling	Neil
Crosbie	Knowles	Nielsen
Crouse	(Winnipeg)	Nowlan
Darling	North Centre)	Nystrom
Dick	Knowles (Norfolk-Haldimand)	Oberle
Diefenbaker	Lambert (Edmonton West)	Orlikow
Dinsdale	La Salle	Paproski
Douglas (Nanaimo-Cowichan- The Islands)	Lawrence	Patterson
Firth	Leggatt	Peters
Forrestall	MacDonald (Egmont)	Ritchie
Fraser	MacDonald (Miss) (Kingston and the Islands)	Rynard
Friesen		Schumacher
Gilbert		Scott
Gillies		Stevens
Halliday		Symes
		Towers
		Whiteway
		Whittaker
		Woolliams—72.

● (1632)

And the Clerk proceeding to announce the result of the vote:

Mr. Speaker: Before announcing the result I should tell the House that when Mr. Anderson voted he was identified incorrectly as Mr. Robinson; when Mr. Robinson was standing he was identified correctly as Mr. Robinson. The voting list has been revised to show that Mr. Anderson was, indeed, Mr. Anderson.

And the result of the vote having been announced:

Mr. Speaker: I declare the motion carried.

Bill read the third time and passed.

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RAILWAY ACT

MEASURE TO AMEND AND REPEAL CERTAIN STATUTES

Hon. Otto E. Lang (Minister of Transport) moved that Bill C-17, to amend the Canadian National Railways Capital Revision Act and the Railway Act and to amend and repeal certain other statutes in consequence thereof, be read the second time and referred to the Standing Committee on Transport and Communications.

He said: Mr. Speaker, it gives me great pleasure to speak today on the second reading of Bill C-17, an act to amend the Canadian National Railways Capital Revision Act and the Railway Act and to amend and repeal certain other statutes.

Railway Act

To some this bill may appear to be an insignificant housekeeping item; it is a brief bill and deals with rather mundane matters concerning one of our Crown corporations. In reality, however, it is rather more important. This bill creates a capital structure for Canada's largest Crown corporation which is appropriate to a mature corporation; it will establish a sensible relationship between the debt and equity; it will consolidate the investment of the Government of Canada in the CNR and will remove the need for regular votes of money to assist the CNR.

Current legislative and other arrangements governing the financing of CNR which have remained largely unchanged for the last 25 years provide that each year the government purchase CNR preferred non-cumulative shares in an amount equal to 3 per cent of the gross revenues of the national system. In 1978 this would have required the inclusion in the government's main estimates of an amount of some \$80 million; however, my proposal would eliminate this requirement and, indeed, the main estimate for 1978-79 are being prepared without this provision. This is a very important feature, given the pressures on government to keep public expenditures down and its determination to do so.

Existing arrangements also oblige the government to appropriate funds to meet company deficits. Indeed, an amount of \$22 million was included in last fall's supplementary estimates for this purpose. However, agreement has been reached among all concerned that as part of this recapitalization proposal authority would be obtained to restrict the already authorized purchase of preferred stock in the current fiscal year by an equivalent amount. This, in effect, would save \$22 million in cash flow from the treasury, and is also an important consideration given the current difficulties being experienced in overall cash management. The provisions of this bill will enable the company to attain an adequate profit level in the future and thus eliminate the need to appropriate funds to meet deficits.

Financing arrangements in place also provide that the CNR would obtain its other capital requirements either from loans from the Minister of Finance or from the private sector. In recent years the company has been encouraged not to look to the Minister of Finance for these needs. It has been co-operative in this regard and has been successful in the capital markets. However, the result of this long-standing obligation for the company to rely on loans for the bulk of its capital requirements has been a debt ratio of about 62 per cent, compared with the rail industry average in North America of approximately 35 per cent, and about 35 per cent for the CPR in particular.

The proposed conversion of about \$800 million of debt into equity would result in a debt ratio of 42 per cent, and thus would provide a more realistic basis for the government and the public to assess the economic efficiency of the company and the performance of its officers in relation to that of its competitors. It would also provide an important morale boost to the CNR management who, I am sure you will agree, are dedicated individuals making considerable progress in improving the efficiency and profitability of their operation. It should