

CNR and Air Canada

Mr. Paproski: One does not have to say much after reading a letter like that. I say to the Canadian National Railways: Have some consideration; look after your pensioners. You might also take some of the money you have stored away and use it to build homes at a cheap interest rate for the people who work for you, or else lend it out to them at 5½ per cent or 6 per cent. This would be a wonderful idea on your part. Other than that, I have nothing further to say at this time.

Mr. Arnold Peters (Timiskaming): Mr. Speaker, when this subject had been debated last year, two questions were referred to the Standing Committee on Transportation and Communications. Each was of great importance. Only one of them was solved, or partly solved, by the committee. The conclusion reached was not, of course, a satisfactory one, but it was a step in the right direction. It showed that members of parliament can, if they wish, bring about improvements in the areas we are considering. The benefits of the change which occurred as the result of that last hearing were considerable in terms of pensions to retired employees of the CN—something like a 42 per cent increase for the old timers. This was a step in the right direction. It was parliament at its best. We held a gun to the head of the government of the day, and they reacted, as is usual, with half a loaf. I say that in this case half a loaf was much better than no loaf at all. If it had not been for members of parliament, nothing of any use would have been done.

• (1740)

Having had the government make the concession of paying a retroactive cost of living payment over 21 years, this kind of escalator, in the retroactive sense, was applied to lesser degree by the CNR and paid by a number of other government and private agencies who also saw both the advantage and certainly the justice of such a payment to pensioners who had provided them in the early days with the wherewithal to make their enterprise a success.

Another factor, which in a sense is more important to the general public and to the orderly operation of any railroad—I presume that Air Canada will find itself in a similar position unless some changes are made—is the long-term debt of the Canadian National Railway. It has been said jocularly, and sometimes even seriously, that the Canadian National Railway was nationalized. That is only partly true. We nationalized it when we bought the assets of a number of railroads of that day. However, we also took on the liabilities of those railroads in the form of long term perpetual bonds and other debts, and these have been carried on the books for many years.

You will probably gather, Mr. Speaker, from my remarks that I am not a financier, but my contention is that if you buy something you should hope eventually to be able to pay for it. Even farmers, who often borrow more money than they should to carry on their farming operations, are of the opinion that eventually not only will they be able to pay off the interest but will pay something off principal as well. Since they have been able to add to their operations they will probably make some profit from their labours. If not, there is no point in embarking upon such an exercise.

[Mr. Paproski.]

Faced with this situation, perhaps we should not have bought Grand Trunk or Northern whatever it was. Though some of my colleagues may have been here at the time, I cannot remember the names of some of the railways which were amalgamated into Canadian National. Perhaps we should have decided to let those railroads go bankrupt and then take them over. But we did not do that. Perhaps we were generous to the shareholders of some of the railroads of the day. You will remember, Mr. Speaker, that in the early days of railroading in Canada you did not play the stockmarket in Toronto or Montreal but played the bond game, in which you bought up railroads. We had on paper more railroads and lineage laid out than probably any other country in the world.

Ottawa was one of the main centres of activity in this regard. There were eight or ten railways going from Ottawa to James Bay at that time. Why, I do not know, but people like O'Brien were able to sell stocks in railways and he made a considerable profit doing so without ever considering just what was at James Bay, even if he had been able to build the railway there. Buying railroad stocks was quite a game in those days. When these companies were taken over by Canadian National, we also assumed that the liabilities were too, and as a result Canadian National has been saddled for many years with a huge and elaborate debt.

The last time this matter was before the House it was generally agreed by hon. members that this question should be referred to the committee. The committee looked at the matter but was unable to come to a conclusion, I hope because of lack of time. The committee settled the other important question of pensions but left the question of debt.

The financial statement of the railroad appears in the Auditor General's report to parliament for the year ending December 31, 1970. It appears from the report that interest on the debt in 1961 had raised the total debt to \$62.5 million, but by 1970 it had grown to \$75.5 million. So it appears we are not paying anything off principal; we are only paying off the interest. In 1970 the total deficit of Canadian National was \$29.7 million, though in fact the company made a profit of \$40 million odd—if I use the wrong arithmetic my colleagues will correct me. If we had to buy a new aircraft for the armed services or a supply of rifles, the cost would be put into the national debt if we did not have the money to pay for the equipment. Then when we did have some money available, as has happened once or twice in my experience, the government would be able to pay part of this debt and reduce it. But debts increase rather than decrease most of the time.

In this case the debt becomes not that of the railway but of individual Canadians who own the railway. This is why we should retire the debt. Let us pay off those people who held the original bonds or their successors, and put the deficit into the consolidated debt.

Mr. O'Connell: Would the hon. member permit a question?

Mr. Peters: Surely.

Mr. O'Connell: Would he be able to say whether the debt of the CNR has actually increased in principal