

Air Canada

forbear of Canadian Airlines International, or Max Ward, or the Deluce family from northern Ontario. It was the public sector that recognized the need and entered into the business of air travel.

Along the way the private sector finally realized, after Air Canada developed the markets, that perhaps there was a buck to be made and therefore it would get into that business. Also along the way the Government of the day decided that there needed to be rules and regulations that controlled the provision of services. In this public sector-private sector competition the Government of the day saw the danger that, while the public sector airline had a mandate to provide services, the private sector was more flexible and could target itself to the more lucrative routes, skim the cream off the top. We as a nation decided that tests had to be applied.

For example, the test of public convenience and necessity was the key one that stood the test of time for many years, until this Government came along and eliminated it. That test was designed to ensure that as well as servicing those lucrative routes—for example the Toronto to Ottawa to Montreal triangle many Members travel on a frequent basis, which is heavily utilized and very profitable—they would also be used to cross-subsidize the routes to the smaller communities.

The Hon. Member for Brampton—Georgetown (Mr. McDermid) refers to Canadian Airlines International serving somewhere in the neighbourhood of 70 domestic communities. Part of the reason it was doing so was that when the other companies—Pacific Western, Canadian Pacific, or some of the smaller feeder planes that are now partners—were applying to the regulatory agency for permission to travel some of the more profitable routes, they were told: "If we give you this licence here, you have to service these smaller communities". The network was expanded through a mix of public sector airlines, private sector airlines, and regulation to protect services.

Back to the trilogy. The first step in the plan of the Conservative Government for air transportation and for the future of Air Canada was deregulation, taking out that test of public convenience and necessity and turning it over to the marketplace. Therefore, the only test was to obtain a licence and insurance and have trained pilots and mechanics to do the work, and that is now the test, the test of the bottom line. Therefore, we were not surprised when the Prime Minister (Mr. Mulroney) reversed himself and finally indicated, through the Deputy Prime Minister (Mr. Mazankowski), that Air Canada was in fact for sale.

Let me mention some of the specifics of the legislation and the statements that have been made with regard to the decision by the Government to dispose of initially 45 per cent of the shares of Air Canada. The rationale that we have been given is that Air Canada needed money for new fleets and new airplanes. The Government was not going to give it to them, so the only route to go was through some type of public share offering.

The amount of money that Air Canada needs is in the vicinity of \$300 million. That may seem like a very large amount of money. If it came out of my pocket, it would be—

Mr. McDermid: You do not have a pocket that big.

Mr. Angus:—or if it came out of the pocket of any of us in this room. When one realizes that the same Government is prepared to spend, at the very least that we know about, \$8 billion for some big toys for little boys, the nuclear submarines—

Mr. McDermid: Don't let the Navy hear you call them little boys.

Mr. Angus: Actually, I was referring to the Minister. I was not referring to the Navy. I have great respect for it. It also knows that we do not need nuclear submarines.

We can set aside the issue of whether it should be nuclear submarines, conventional, or whatever. The question is that \$8 billion is readily available for that project, and the Government cannot find \$300 million to allow Air Canada to provide the fleet additions it needs. That makes one wonder.

The other aspect of this deal that bothers me is that, on the one hand the Government is saying that the initial share offering will be 45 per cent. Of that 45 per cent no more than 25 per cent can be held by non-Canadians. That is consistent with international agreements or treaties to which Canada is a signatory, and the same rule applies in the United States. Because this is an initial share offering, at some point in time the Government could dispose of the remaining 55 per cent. Therefore, 100 per cent of the shares of Air Canada could be owned by other than the Government of Canada, which means that up to one-quarter could be owned by non-Canadians.

Second, there is a restriction that no individual can own more than 10 per cent. That applies to the initial share offering, so we are talking about 4.5 per cent of that 45 per cent. When 100 per cent is sold then we are back up to 10 per cent. Conceivably and eventually those shares could be—and I am not saying that they will be—held by a maximum number of 10 individuals. It probably would not happen right away. However, over time those 10 individuals could also be principals in other airlines, and two or three of them could be non-Canadians. Therefore we have a very dangerous situation for this company that has been owned by all of us and managed very well.

Over the last 10 years Air Canada's pre-tax profit was \$379.3 million. I would say that it is a very good record but we are going to get rid of it, sell it off. The final problem is that following the initial offering of 45 per cent the Government will give total control to those who hold 45 per cent. The Deputy Prime Minister indicated very clearly that the Chairman of Air Canada will be instructed by the Government to vote with the majority of the members on the board representing the 45 per cent. In other words, if there are 45 directors—for easy mathematics—and 23 voted to close or