

Canadian National Railways and Air Canada

asking for the money that they used to make up for the goof of the government in the design and administration of Terminal two. I wonder what these independent directors of this supposedly independent Crown corporation were thinking of to be such stupid businessmen that they would take a lease of a terminal which was totally unsuited to its operations. These directors will have to answer some questions about this matter.

Then, there is the matter of certain landing rights. We have been discussing in the House the landing rights at Milan. Air Canada has been seeking these landing rights and so has CP Air. Whether or not Air Canada gets them, the right to fly from Toronto to Milan is an exceedingly valuable right. But rather than assist Air Canada or CP Air to make some money from this route, the government makes no decision; it simply sits on its hands.

Another matter that Air Canada had better explain is the relationship between the government of Canada and a person by the name of Ward, as well as the purchase price of an airline called Wardair which seems to have integrated itself with the government system for charter purposes. I do not have the balance sheets to give the House figures on this, but the very strong suspicion I have regarding the value of the aircraft purchased and the previous profitability of Wardair is that Air Canada paid three or four times what it should have paid for the Wardair system. I think this House must demand from Air Canada a complete explanation of the Wardair transaction.

● (1530)

Even today, we have heard concern expressed in this House about service. When I go to Ottawa airport if I do not have a standing reservation I am lucky if I get out of this city to fly to the Mississauga airport in my riding. There is not nearly sufficient service. The occupancy rate or load factor as shown by Air Canada is 65 per cent. I want to say to members of this House, and I am sure my observation can be confirmed by almost every member, that very few of us have ever flown on an airplane in the last year or so when that airplane was not full. I would say I have yet to fly on an Air Canada plane when it was only 65 per cent occupied. Other airlines operate on a much lower load factor. Yet this airline, on its own figures, has an occupancy rate of 65 per cent and should supply a better service between important business locations.

When I hear, as set out earlier today, and as the hon. member for Crowfoot (Mr. Horner) set out in his remarks on this bill, that there is more than adequate air service between Edmonton and Calgary operated at a profit by a private carrier, because Air Canada could not be bothered, I wonder why we cannot have, without more and more study by the minister, an airbus service between Montreal, Ottawa and Toronto. The reason for this is simply beyond me. The directors of Air Canada have much explaining to do.

Another thing they should explain to us is the reason this airline has decided to use a multiplicity of aircraft. It is presently using Douglas aircraft, the DC-8's and DC-9's, Boeing aircraft, the 747, and the famous Lockheed 1011. I shall not comment on the value of these particular aircraft but it strikes me, as a person with some business experience, that a sensible corporation would attempt to stay

[Mr. Blenkarn.]

with one company so that it would have one set of parts in terms of spares, and one set of maintenance problems rather than three. This might sound a little confusing, but it strikes me as being sensible that one type of aircraft, or one maker and certainly not three, is really all that is required.

Now, to discuss some of the ramifications in respect of the annual reports, I looked carefully first at the Canadian Pacific report. The report is a considerably thinner document than the Air Canada report, but it is printed in just one official language. If one examines the quality of paper, one will find that it is not glossy, fancy paper. It is pretty good paper but of poorer quality when one compares it with the fine paper used by Air Canada and the Canadian National. The Canadian National and Air Canada, after all, can afford the glossy, fine-textured paper and a fine printing display because the payment for this comes from only one source. They have parliament and if they need money they come and get it. They do not have to answer to a great number of shareholders who have their money invested in the company. The situation should be the other way around. The CPR has to market its stock and borrow money on the open market. It has every reason to produce a very classy, if you like, image. But this other company—it is really only one company because CNR owns Air Canada—has only the members of this House to think of and it could print its annual report on mimeograph paper for all we would care. We do not need the fancy printing or the rotogravure. We would be quite happy if it came to us in English and French on Gestetner paper. But they have to make a good show. For whom? I say, Mr. Speaker, probably for themselves.

I wish to go further and do a quick analysis of the profitability of Air Canada and Canadian Pacific Airlines, because the situation is the same as with the railways, except that Air Canada does make a small profit and the railway system loses money. In 1972, Air Canada had an investment of \$816 million. With this investment it had a gross revenue from fares of \$475 million. In other words, it took nearly \$2 of capital to produce \$1 of revenue. The Canadian Pacific system had a gross investment of \$161 million and a revenue from fares of \$172 million. For \$1 of investment Canadian Pacific was able to generate slightly better than \$1 of revenue.

Let us see what effect this had on its profitability. Air Canada, with \$816 million invested—and much of its debt money without interest—after taxes produced a profit of \$8.5 million. The Canadian Pacific system, with \$161 million in capital, produced a profit after taxes of \$5.1 million. Although Air Canada is nearly five times the size of Canadian Pacific, its profit amounts to a difference of only \$3 million. This is ridiculous. Air Canada has every bit as good a routing system as Canadian Pacific and has every bit as good facilities at airports. Air Canada has the same technical assistance as the Canadian Pacific system, and yet it cannot show as great a profit. This points out the whole problem in respect of Crown corporations. These Crown corporations should do two things. First, for their profit-oriented sector they should perform every bit as well as a private corporation and indeed, because of the ability to borrow money at less than the market rate in many cases, they should do better. But do they? They do not.