Intercolonial. CNR was the result. With the help of the deep pockets of Canadian taxpayers, CN grew into what it is today.

• (1210)

Rail is not the only transportation method available now. Our shippers have other choices: the trucking industry, which has taken on a large part of the business; air freight; or through the seaway and the Great Lakes by ship. There is potential for strong competition in transportation in Canada, which is absolutely essential in any modern economy.

The legislation is part of our government's intention to have the private sector operate in areas where it can do the job best. The Minister of Finance said in the budget last February:

> Our view is straightforward, if government does not need to run something it should not, and in the future it will not.

[*Translation*]

Under this bill, 100 per cent of the government's share in CN will be sold in a public offering. All Canadians, including CN employees, will have a chance to buy shares. A maximum of 15 per cent of shares may be held by any one individual or company; there will, however, be no restriction on foreign investors.

CN employees will continue in their current positions in the new CN, and their pensions will be protected under the Pension Benefits Standards Act. A standard stock savings plan will be offered to CN employees to encourage their participation in the new company.

The Head Office will remain in Montreal, and the Official Languages Act will continue to apply to CN employees. These provisions will have not impact on CN's "saleability", because they have both been in place for a long time and have served the CN and its customers well.

We believe that putting CN on a solid and viable financial footing is the best way to ensure that it will be able to maintain coast to coast rail service. CN must have every opportunity to compete fairly and aggressively with all its competitors, primarily, the trucking industry, CP Rail and the U.S. railroads.

To achieve these objectives, we have struck a balance between the obligations we wish to impose on the new company and the negative effects these could have on both the viability of CN and on the value of our equity.

The size of the public offering of CN stock is the largest in Canadian history and makes this balance a very delicate one. We need to be careful about imposing too many restrictions on CN. We must attract international investors, especially those in the U.S., with positive experience in rail investment. We want to ensure that the CN is free to function and finance its operations as its competitors do.

[*English*]

It is not our intention to impose onerous foreign ownership and service obligations on the new CN that do not apply to CP. We want to make sure that control of CN is broadly based so that no single individual or company controls more than 15 per cent of the shares.

CN has to be put on a sound financial footing. To achieve this, CN's current debt of $2.5 billion will have to be reduced to approximately $1.5 billion. CN's debt will have to be reduced to a level where it will receive an investment grade rating similar to that of its main Canadian and U.S. competitors. Our goal is to have CN in a capital position that would allow for at least a BBB bond rating.

The company is expected to raise funds to reduce debt prior to the sale by selling assets such as CN Exploration, which it has recently done, and the Scribe hotel in France which is currently being marketed. CN is also currently pursuing the sale of CANAC and its AMF maintenance shops in Montreal as well as some leasehold interests. CN's Canadian non–rail assets are not part of the deal. They will be retained by the crown. Our intention is to put the new company in a competitive position, not to tip the level of the playing field in CN's favour.

The legislation represents the government's firm commitment that both the company and the taxpayer must be treated fairly when the shares go to market. We have put together a unique structure to manage what will be the largest initial public offering in Canadian business history.

We have an agreement with three investment banks, ScotiaMcLeod Inc., Goldman, Sachs and Company of New York and Nesbitt Burns Inc., to form a consortium for the purposes of leading the deal. The arrangement will allow the Government of Canada and CN to draw on the resources and experience of these institutions in the decision making process.

• (1215)

Competition and a viable railroad system from coast to coast is burdened by the current regulatory environment. It is my intention to present to the House legislation that will chart the way to major reforms of our regulatory regime before summer. The legislation will provide the regulatory framework for the future of transportation in Canada. It will encourage the creation of short line railways and it will provide for real competition.

The regulatory process will ensure there will be no abandonment of service unless no one, private sector or government, wishes to take up the line. That will be the most obvious benefit of the reform but it will go much further. It will also provide the framework to allow all modes of transportation to perform efficiently and effectively without needless government intervention.