

CANADIAN NATIONAL RAILWAYS

PROVISION FOR CAPITAL EXPENDITURES, ISSUE OF SECURITIES, ETC.

Hon. E. J. Benson (Minister of Finance)

moved that the house go into committee to consider the following resolution:

That it is expedient to introduce a measure to authorize the Canadian National Railway to make capital expenditures including investment in securities of affiliated companies in the calendar year 1968 not exceeding in the aggregate \$264,400,000, to make capital expenditures in the first six months of the calendar year 1969 not exceeding in the aggregate \$75,000,000 for discharging obligations incurred prior to the 1st day of January, 1969, to enter into contracts prior to the 1st day of July, 1969, for equipment, additions and conversions requiring payments after the calendar year 1968 not exceeding \$90,000,000, to borrow either from Her Majesty or by means of issues of securities guaranteed by Her Majesty an amount not exceeding \$75,000,000 for investing in securities of Air Canada and a further amount not exceeding \$16,000,000 for construction of branch lines; to authorize Her Majesty to make loans directly to Air Canada or to guarantee issues of securities of Air Canada not exceeding \$130,000,000 for discharging obligations of the airline that become due and payable prior to the 1st day of July 1969; to authorize Her Majesty to continue to purchase until December 31st, 1969, Canadian National Railway Company 4 per cent preferred stock in an annual amount not exceeding 3 per cent of the gross revenues of the Company; to extend until December 31, 1969, the moratorium on interest on the loan of \$100,000,000 to the Company authorized by the Canadian National Railways Capital Revision Act of 1952; to authorize Her Majesty to make loans to the Canadian National Railway Company and Air Canada to meet deficiencies in operating revenues to June 30, 1969, any such loans to be repaid from revenues of the Railway Company and Air Canada or, if revenues prove insufficient, by subsequent deficit appropriation by Parliament.

Motion agreed to and the house went into committee, Mr. Béchard in the chair.

Mr. H. E. Gray (Parliamentary Secretary to Minister of Finance): Mr. Chairman, this resolution is similar to those which have in the past preceded the introduction of Canadian National Railways' financing and guarantee bills. These bills, including the present one, have been introduced annually with the exception of the 1963 bill which covered 1962 and 1963, and the 1966 bill which covered 1965 and 1966.

[Translation]

The present bill has seven main objectives, most of which had a similar form in previous legislation.

[English]

First, the bill would authorize capital expenditures by Canadian National Railways

Canadian National Railways

not exceeding \$264,400,000 during the 1968 calendar year, including \$75 million for investment in Air Canada, This level of expenditures compares with \$264,800,000 authorized previously for 1967, with \$67 million included therein for investment in Air Canada. The bill also contains technical provisions authorizing Canadian National Railways to make expenditures not exceeding \$75 million between January 1 and July 1, 1969, for obligations incurred prior to 1968, and to enter into contracts before July 1, 1969, for capital expenditures not exceeding \$90 million for which payment will not come due until after 1968.

Second, the bill contains a new provision authorizing Canadian National Railways to borrow \$16 million for financing all branch line construction. Up to the present each special statute for construction of a branch line has included authority for financing its construction, and branch lines not requiring special legislation have been financed out of self-generated funds. In addition to covering all branch lines, the provision in the resolution and the bill based upon it are consistent with the intent of reflecting in the financing and guarantee bill all the financing authorities which Canadian National Railways require.

Third, the bill would provide for the continued purchase by the Minister of Finance of Canadian National Railways' 4 per cent preferred stock through to the end of the calendar year 1969. This continues the practice of previous financing and guarantee acts. The 1967 financing and guarantee act extended to December 31, 1968, the expiry date of the authority granted by Canadian National Railways Capital Revision Act of 1952 for the purchase of such stock equivalent to 3 per cent of the company's gross revenue.

Fourth, and for the same reasons, the bill would extend until the end of 1969 the moratorium on interest on the government loan of \$100 million to the railway company authorized by the capital revision act of 1952.

Fifth, as in previous years the bill would provide authority for the government to make temporary loans to Canadian National Railways and Air Canada to meet deficiencies in operating revenues up to June 30, 1969. Any such loan is repaid later from revenues of Canadian National Railways and Air Canada or, if these prove insufficient, the loans are written off through parliamentary appropriation.

Sixth, the bill contains an option not previously included in financing and guarantee