

Railway Act

Some years after the CPR was created, a number of private investors associated with the Liberal party thought that if investors associated with the Conservative party at the time of Sir John A. Macdonald could make such a good thing of railways, they too should become involved in that business. Thus, the construction of other railway lines was commenced. There was no planning or thought as to where resources were located. They were interested in building lines, posting bonds, selling shares and making money by building railways as cheaply as possible and with as little thought as possible. They did not worry because they knew the government would look after them. Therefore those investors were faced with repeated financial crises. Eventually, a Conservative government had to move in to save the bankrupt properties.

Originally there were five independent railways: the Intercolonial, the National Transcontinental, the Grand Trunk, the Grand Trunk Pacific, and the Canadian Northern. All of them were amalgamated into what is now known as the Canadian National Railways. These railways were brought together because of economic conditions. They were brought together under one management in order to serve Canadians, not to make a profit. The original purpose of the establishment of the CNR was not to make a profit.

In an attempt to figure out what to do with the bankrupt railways, the Borden government appointed a commission to study the problem. That commission made some very interesting recommendations. Once again I should like to quote from Mr. Robert Chodos' book, which reads as follows:

The report was a divided one, with two of the commissioners ... favouring a government takeover of the Grand Trunk, the Grand Trunk Pacific and the Canadian Northern, and the third calling for a reorganization, but with retention of private ownership.

When this commission looked at what the companies were worth, it recommended that the government take over the liabilities. The commission did not recommend what would be done by private enterprises, that is, a payment of two cents or three cents on the dollar, which is probably what they were worth. Instead, it was recommended that the liabilities be paid in full. I should like to refer to what the commission said, as reported in the book. It reads as follows:

—'this is a case for generosity rather than strict justice'... "Governments in the past have not taken a stand on strictly legal grounds in their dealings with other companies' that Canadian Northern shareholders could expect any compensation at all.

That is how the government got into the railway business. What did it cost? What did these bankrupt railways, which should have been taken over for nothing cost? Professor Lukaszewicz in his book entitled "The Railway Game" indicated the following:

As of June 30, 1916, \$1.9 billion was invested in Canadian railways; of this, almost exactly one-half, \$955 million, came from the public purse. Except for the Grand Trunk, public investment ranged from 40 to 100 per cent.

Public ownership did not create the CNR's debt. Public ownership did not hang the burden on the shoulders of the CNR, which it has had to carry for approximately 50 years and which has resulted in losses on paper for almost every year. The hides of the then shareholders were saved. Those

people went into this business to make money, and when the going got rough and they could not make money, then they got out.

We support the principle of recapitalization. We support the idea that the debt of the CNR should be written off. That debt amounts to \$808 million, and the CNR has been required to pay interest on it. Indeed, we wonder why it is only \$808 million, rather than \$2 billion. If the entire debt of the CNR were written off, its debt equity position would be better than that of the CPR. Thus, the CPR would have difficulty competing with the CNR. I suppose we should be thankful for small mercies. If the government is prepared to write off \$808 million, then we support it with doubt and with reservations. On the basis of the policies enunciated by the Minister of Transport (Mr. Lang) and the president of the CNR, Dr. Bandeem, we think this is being done for the wrong reasons.

What is the concept of the Minister of Transport? What is the concept of the present president of the CNR? What are their ideas as to the function of the CNR? To find answers to these questions, one only has to turn to the speeches of the minister and of the railway president. Obviously the minister still believes in the principle of user-pay. He believes if the user is a farmer on the prairies who has to move his grain, then of course he should pay the full shot; if the user is a potato grower in Prince Edward Island, he should pay the full shot; but if the user is a businessman who wants to travel quickly between Ottawa and Montreal, he should travel by air and the price of his ticket should be heavily subsidized. The airlines do not pay for any of the infrastructure, the building or maintenance of airports, or the communications system, all of which are absolutely essential to the operation of airlines. But when it comes to the railways, then of course the user shall pay to travel or to move the product which he produced, that is, according to the minister.

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The minister still talks about the user-pay concept, profitability, the value of competition. All these are central to the minister's thinking, even though in fact no country in the world follows a policy of making its railway system pay for everything which it does. Every other country looks on all transportation modes as a necessity for the efficient use of resources and as an efficient way to move people and goods which are produced and required.

A former minister of transport who has now gone to the other place, Senator Jean Marchand, had a much better concept of what the transportation policy should be. Way back in 1962 before he came to parliament, before he succumbed to the blandishments of the Liberal party, when he was still an active trade union leader, he said the following:

Transportation policy is closely linked to economic planning and as such must be linked to the common good and not the profitability of private enterprise.

In 1975, when he was minister of transport, he issued a policy with the same concept, because it was the right and proper concept. He said the following in his policy statement: