

Canadian National Railways

million is to go to Air Canada for expenditures between now and July, 1971. In this regard one must examine what Air Canada is doing. It is the seventh largest airline in the world. We must ask ourselves how we, as Canadians, operating an airline are making out in respect of competition in international passenger service to and from Canada. I should like to read from the annual report of the Air Transportation Association of Canada:

International traffic entering and leaving Canada showed an increase of 10.9 per cent in the number of passengers and a 28 per cent increase in the amount of freight carried. However, Canadian carriers handled only 46 per cent of the passenger and 45.4 per cent of the freight traffic as compared with 48 per cent and 49 per cent respectively the previous year.

In other words, we have a little less than 50 per cent of the passenger and freight traffic, and it is declining. Why is this? Since a similar bill was submitted to this House a year ago, some negotiations have taken place in respect of the allotment of landing rights of foreign competitors and Air Canada. Certain cities have not been satisfied with this allotment. Calgary has not been satisfied with the landing rights allotted to planes arriving at that city and Toronto is not satisfied with the situation in which it does not have direct overseas flights to and from that city. The province of Alberta has had a long standing complaint concerning air service in and out of the international airport at Edmonton.

This financing bill must be given a much closer scrutiny. Perennially the CNR has had a deficit because of interest rates and so on. So far as operating revenues and expenses are concerned, it has operated in the black in the past. It is predicted there will be in the future a growing number of years in which Air Canada will be in a deficit position. The bloom is off the flower in respect of air passenger service. Airlines throughout the world are running into greater difficulties because of the high cost of capitalization. Members of the Transportation Committee were fortunate to have an inaugural flight on a 747 aircraft. We were told it could operate with one-third capacity and pay its way. But has this plane really lived up to that expectation. Figures indicate that the 747 has been losing money. Air Canada has ordered four 747's.

• (12:30 p.m.)

I suppose that part of the capitalization will go to the repayment of loans which will allow Air Canada perhaps to make initial payments on some of these orders. What has the government done? What leadership and advice has the minister given with regard to the purchasing of these planes and with regard to the arrangement of more suitable landing rights in and out of Canada? If we are to increase rather than decrease our percentage of the air traffic in and out of Canada, then we have to pay a stricter attention to landing rights. If we are to at least attempt to operate the 747's in the spring of 1971 in a profit making manner, we have to pay greater attention to landing rights in and out of Canada so as to obtain a greater share of the passenger and freight haul in and out of this country.

[Mr. Horner.]

I cannot help but repeat that a year ago Canada had 48 per cent of the passenger traffic in and out of Canada and 49 per cent of the freight traffic. This year we are down to 45.4 per cent of the passenger traffic, which is a decrease of just under 4 per cent, a huge figure. The passenger capacity has increased and the percentage of haul has decreased, this is a discouraging fact. I regret that the Minister of Transport (Mr. Jamieson) has not seen fit to spend more time in the House to listen to some of the criticism levelled at his department and at Air Canada. This is not done with any bitterness but in an attempt to communicate a sense of urgency with regard to making Air Canada a profitable business. We cannot continually run up deficits in the CNR and now start on a period of years in which deficits are projected for Air Canada as well. Airlines throughout the world are facing great difficulties and we must be on our toes to protect our interests in Canadian passenger and freight traffic as well as in the Canadian taxpayer's money.

There is some question as to whether Air Canada and CNR auditors are, in fact, objective in their reporting. They check over the books but do not make an actual check of the expenditures. We should give this financing bill a really careful scrutiny in the House because of that fact.

Another matter that has to be examined relates to freight rates and the Canadian Transportation Commission which was set up back in 1967. We all remember the long and extensive debate which took place at that time. The former minister of transport, having got the bill passed in the House, appointed himself chairman of the Canadian Transportation Commission. At that time, we were told that railroads should be freed from government control and that if this were done they could make money. Now, we see net losses continually. What have they done in an attempt to become profitable? I would like to put on the record some of the freight rate increases which have taken place since 1967.

The first increase took place on May 4, 1967. It was a 12 per cent increase in freight rates for short hauls and a 6 per cent increase in freight rates for long hauls. I might add that until the bill was passed the Freight Rates Reduction Act allotted a \$20 million subsidy to the railroads and froze the freight rates. After the bill was passed in 1967, freight rates were freed and the CNR said it could make its way and become profitable. We all know that if the price of commodities is increased too much, a point of no return is reached. I would not be surprised to learn that this is happening to CNR freight hauling. Another freight rate increase on competitive rates of 6 per cent for short hauls and 3 per cent for long hauls took place on September 5, 1967. On May 1, 1968 another increase took place which affected agreed charges. There were some exceptions but there was a 5 per cent increase for short hauls and a 3 per cent increase for long hauls.

On April 1, 1969, both with regard to competitive and general freight rates, there was an 8 per cent increase for short hauls and a 5 per cent increase for long hauls. There were certain exceptions and reductions were made