

Air Canada

The point I want to make about Canada is this. For people along the main trunk from Vancouver through possibly Halifax, there are some benefits in deregulation. It is possible to go to the U.K. for less than \$500. It is possible to get the occasional fare from Ottawa to Vancouver for \$300 return. However, this is not a country consisting of a 3,000 mile long line of people. We have people living in Yellowknife and Whitehorse who are still subject to monopoly conditions. Before they can benefit from the fares coming in under deregulation they have to pay \$500 to get to southern Canada. As a result, they are severely inhibited. They cannot get joint fares any more because of the way the system works.

One of the benefits of having a national airline is that it is more appropriate and possible to have a national policy so that all Canadians, not just those living in our eight or 10 biggest cities, have the benefit of cheaper fares and greater availability of flights.

Mr. Deputy Speaker: Resuming debate.

Miss Aideen Nicholson (Trinity): Mr. Speaker, this Bill was introduced in haste and unexpectedly by the Deputy Prime Minister (Mr. Mazankowski) after his predecessor Minister responsible for privatization took a long time to consider it without the Bill being presented to the House. Let us look at some statements by the Government. Some time ago the Prime Minister (Mr. Mulroney) said Air Canada is not for sale. He said Canada needs a national airline. He said there is a possibility that shares in Air Canada will be sold to the public but the Government would certainly retain a majority interest. So spoke the Prime Minister. However, the Deputy Prime Minister said that the legislation will permit the transfer of all Air Canada shares to the public. This is essentially the first phase. What are we to believe?

The industry is distinctly cool to the sale, presumably because they, like Members of this House, are not quite sure what to believe either. Critics think that because of its heavy demands for capital it is unlikely that Air Canada will pay shareholders any dividends for a long time. Critics are unclear and uneasy about the precise division of powers as between the Government and the private shareholders. Again, the legislation is unclear.

On April 12, 1988, the Deputy Prime Minister stated that after completion of the initial offering the Government would hold no less than 55 per cent of the shares but would vote in accordance with the majority of the 45 per cent of private shareholders. That means that in theory several shareholders holding a majority of the 45 per cent, acting in concert, could exert considerable control over the company, and if the Government stays with that position it would be powerless.

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The record following deregulation of airlines in the United States and Britain has not been encouraging. We have heard of extraordinary inconvenience to travellers in the name of economy. Flights are cancelled, flights are late, flights are

crowded, and the less profitable, more remote areas are getting very poor service.

The three unions concerned with Air Canada have opposed privatization largely on the grounds of their concerns with safety. In one of their briefs they stated:

A publicly owned Air Canada provides accountability and a "policy window" to ensure safety and service in an increasingly concentrated, deregulated industry.

Canada is a very large nation. One of our important planks of nation-building has been communications and transportation. The railways opened up this country and established the east-west links in a way which had not been done before and set the development of the country. Air Canada has contributed to that in particular by providing some levels of service to the more outlying areas.

There is within Air Canada now a form of cross-subsidization under which the major routes help to subsidize the less travelled routes. Obviously when the airline is privatized that will not happen if it is run purely on a profit motive. In the smaller Canadian market where expenses as a result of weather conditions make competition with U.S. airlines more difficult I think we can expect that service to small, remote northern areas will disappear or be greatly reduced. Once Air Canada is privatized there is no guarantee at all that jobs and services will be maintained.

Air Canada is now involved in numerous feeder lines. It owns 100 per cent of Air B.C., 75 per cent of Air Ontario, 75 per cent of Austin Airways, and 49 per cent of Air Nova. If the experience with the privatization of Air Canada is the same as in the United States and Great Britain, if the profit motive takes precedence over public policy goals of providing service to all Canadians, we will see less and less service to the less populated areas while the airlines provide more service in the more profitable, densely populated areas.

Privatization also raises questions about what is going to happen to the estimated \$200 million surplus in Air Canada's employee pension fund. I have not heard the Government address this question. Air Canada has proved to be profitable. One must also ask why the Government wants to sell a winner which the people of Canada own and have paid for.

The reason the airline itself is asking for privatization is essentially that it needs capitalization. Do we have to privatize in order to ensure that the airline has funds to replace its aging aircraft? The proposal put forward by my colleague, our critic for transport, the Hon. Member for Papineau (Mr. Ouellet), was that Air Canada be assisted to secure loans at preferential rates to renew its fleet as was done in the past. In 1977, when Air Canada had need for recapitalization, the Liberal Government moved to assist in that way. Indeed, Air Canada has gone on to be a very profitable and very successful airline.

We must ask again whether the Government is moving to privatize because this will really enhance the efficiency of Air Canada and its ability to recapitalize, or is this yet again a