

Canadian National Railways and Air Canada

desirable from a domestic point of view, if not necessarily desirable from the point of view of CPA, Pacific Western or some other Canadian airline. The relationship was desirable from the standpoint of improving our ability to compete against foreign-owned airlines. Therefore it seems to me it was either a good deal, in which case Nordair and CPA were quite logical in their opposition, or it was a bad deal. And if it was a bad deal, I cannot see them wasting their money opposing the Air Canada-Wardair deal in the first place.

Much as I appreciate CPA, Nordair and those other companies in whose aircraft we travel from time to time, my gullibility does not extend to the point that I believe they would spend many thousands of dollars in hearings before the CTC to protect a competitor against a bad investment. The reason, as stated at the CTC hearing, was simply that they feared what might happen in the course of time. It was not brought out during the committee proceedings, though it could have been—it had already been made public at the CTC hearings—that if and when the Ward family sells more of its shares, those shares will be sold to Air Canada. So in time, with the permission of the CTC, Air Canada could conceivably assume majority control of Wardair.

I suspect some understanding was reached at the time that Air Canada will eventually own more than 30 per cent of the shares and use its option to take up sufficient shares to be clearly identified as the majority shareholder in the Wardair operation. Without passing judgment on whether such monopolies are good, I would think the CTC was certainly apprised of all facets of Air Canada's proposed transaction with Wardair, the one which is now before cabinet.

The Acting Speaker (Mr. Laniel): Order, please. I regret to interrupt the hon. member, but his time has expired.

Some hon. Members: Carry on.

The Acting Speaker (Mr. Laniel): Unanimous consent of the House is needed for the hon. member to continue. Is there such consent?

Some hon. Members: Agreed.

Mr. Mackasey: I do not wish to take up the time of the House unduly; I simply wish to summarize what I have said. There is really a question of accounting methods involved here. The hon. member for Mississauga and I have debated this matter before—whether Air Canada offered 30 times the earnings of Wardair. It depends on how those earnings are assessed. But this is really incidental to the question whether or not Air Canada and Wardair should be linked.

Incidentally, and in conclusion, I wish to point out that a relationship between a national carrier and another operator is not unusual. We find that with BOAC, KLM, Swissair, Scandinavian Airlines—virtually every nationally-owned airline in the world. The objection raised to what Air Canada proposes was logical and understandable in light of the competitive situation, but the CTC based its decision upon the fact that unless such a relationship was permitted, year by year, as evidence showed, the Canadian

[Mr. Mackasey.]

airline industry would lose more and more Canadian business.

The commission ruled, not in the light of whether Air Canada would improve its position vis-à-vis CPA but whether the Canadian airline industry as a whole would be able to retain at least 50 per cent of the charter business operating to Europe. Indications are that as a result of this proposed merger, if it is approved by cabinet, Air Canada will be in a position to meet successfully the erosion of its revenue by the charter business which has been going on steadily for the last couple of years.

Some hon. Members: Hear, hear!

Mr. Sinclair Stevens (York-Simcoe): Mr. Speaker, I rise to speak on the amendment moved by my hon. friend from Mississauga (Mr. Blenkarn) because I think members of this House have little choice but to speak up when we feel there has been a wrong done to the House of Commons. I am referring to the fact that through trickery an amount was voted here last Tuesday night—the sum of \$28.8 million—which was passed under the Appropriation Act in a few minutes but which should not have been passed.

Mr. Benjamin: Explain.

Mr. Stevens: In the course of my remarks I shall outline a complete pattern of failure to disclose certain information to members of the House and to the Canadian public who should be entitled to the facts.

Mr. Benjamin: Explain the last remark you made.

Mr. Stevens: I am referring to the fact that there is an option outstanding with respect to the purchase of up to 32 per cent of the outstanding shares of de Havilland of Canada Limited in the amount of \$28.8 million. We have endeavoured in committee and elsewhere to determine whether it is the intention of the government to go ahead with this project, and on each occasion we have been told the question is still not decided. At the last meeting of the finance committee, the Minister of Industry, Trade and Commerce (Mr. Gillespie) insisted that the estimate be considered, yet he positively declined to give the committee the opportunity to look at the financial statement of de Havilland of Canada Limited. I think this is most unfortunate. Financial statements concerning de Havilland are available to us though they are not up to date. We know the company has sales valued at \$35 million and that it is marginally profitable. We were absolutely startled to find the government seriously considering exercising an option to purchase all of the outstanding shares of that company for an amount that it estimates to be between \$28.8 million and \$38.8 million.

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Let us put the matter in perspective. I am referring to a company with sales of \$35 million and marginal profitability which the government is seriously considering purchasing for between \$28.8 million and \$38.8 million. Yet the parent of that company, the Hawker Siddeley group in England, have another subsidiary in Canada called Hawker Siddeley Canada Limited. I find it relevant to note that this subsidiary has sales of \$200 million and a profitability after taxation of \$3 million. This company is