

*C.N.R. Financing and Guarantee Bill***CANADIAN NATIONAL RAILWAYS**PROVISION FOR CAPITAL EXPENDITURES,
ISSUE OF SECURITIES, ETC.

Hon. E. J. Benson (for Mr. Sharp) moved the second reading of Bill C-151, to authorize the provision of moneys to meet certain capital expenditures of the Canadian National Railways System for the period from the 1st day of January, 1967 to the 30th day of June, 1968 and to authorize the guarantee by Her Majesty of certain securities to be issued by the Canadian National Railway Company.

He said: Mr. Speaker, my parliamentary secretary, on the introduction of this bill, explained its purpose. It was in the usual form for the annual C.N.R. financing. During the resolution stage, however, several questions were raised which I propose to deal with now. This would facilitate the movement of the bill through the committee of the whole, clause by clause.

Several points were raised by the hon. member for Saint John-Albert (Mr. Bell), the first of which was that the Canadian National and Air Canada should make public their balance sheets. I wish to indicate that the Canadian National and Air Canada do publish their balance sheets. These may be found in the separate annual reports which are published by each company and subsequently tabled in this house.

The second point was that there should be a separate bookkeeping system for Air Canada to provide a truer up to date picture than is now available, so that Air Canada might be compared with Canadian Pacific Airlines.

My comment in this regard is that Air Canada maintains a separate bookkeeping system and, as mentioned previously, publishes its own annual report. Its financial statements are audited by a recognized firm of chartered accountants. The certificate of this firm accompanies the published statements and indicates that they are in accordance with generally accepted accounting principles. Any loans payable to the C.N.R. are clearly set out as a special item on the air line's balance sheet. Comparison of Air Canada's financial position and operating results with those of other Canadian air carriers, including Canadian Pacific Airlines, may be found in considerable detail in publications issued by the Dominion Bureau of Statistics. I shall be pleased to provide these to my hon. friend.

[Mr. Starr.]

The third point the hon. member raised was that Air Canada's net debt fund ratio is not correctly shown in available figures.

• (9:20 p.m.)

Air Canada's debt-equity ratio may be readily established from the published balance sheet and compared with those of other air lines. I would be pleased to provide a comparison if the hon. member wishes to make one. The fourth point was that the profit and loss situation of Air Canada is not really known. However, it is indicated in the statement of income included in the annual report and again, in considerable detail, in statistics published by the Dominion Bureau of Statistics.

The hon. member for Calgary North (Mr. Harkness) complained that parliamentary authority is being sought now for C.N.R. expenditures which have, in fact, already been made. I should like to point out that as laid down in the Canadian National Railways Act the annual capital budget is approved by the governor in council upon the recommendation of the minister of transport and the minister of finance; subsequently it is laid before parliament. As a general rule, parliament refers the budget, along with the company's annual report, to the committee on transport and communications. While strictly speaking, the authority for making the capital expenditures indicated in the budget is granted by the governor in council and does not require further parliamentary approval, the budget is set out in the annual financing and guarantee act for parliamentary approval as the relevant basis for the financing and guarantee authorities, which parliament is being asked to provide through a bill such as this.

Another point made by the hon. member for Calgary North was that the C.N.R. should follow the practice of government departments in accordance with which expenditures must be approved through estimates. The annual financing and guarantee act contains several technical sections relating to guarantees, borrowing powers and so on, which are legislative in nature and do not lend themselves readily to inclusion in estimates. Other provisions could of course be included in estimates. The estimates for this year already contain provision for C.N.R.'s 1967 deficit of \$15 million. A separate bill has the merit, however, of having all the financing and guarantee provisions together and avoids any charge of using the estimates for legislative purposes. Hon. members on the other side know the difficulty I have had in the past two