

*Railway Act*

relationship with Northern Electric. As has been suggested by a number of government agencies such as the Canadian Association of Mayors and Reeves, the Board refused to order an investigation into the accounting system of Bell so that the accounting system would show the division of costs between the regulated and unregulated aspects of Bell's business. This is essential for any commission to be in a position to determine the fair, reasonable and non-discriminatory rates in a regulated area. Furthermore, exact and complete particulars of the nature of Bell's investments should have been required.

Other information should have been required of the company, such as the detailed depreciated book value of all non-telephone communications, plant and equipment not regulated by the CTC; reports showing operating revenue for the same years produced by non-telephone plant and equipment; the relationship and transactions between Bell and the American Telephone and Telegraph Company; and the actual terms of the service agreement between these two companies. None of this information was requested by the Canadian Transport Commission or by its chairman, thereby following the completely passive role of the former Board of Transport Commissioners.

One should not be surprised that this board and its chairman—on the basis of our past experience with him—should have taken this passive approach. However, that does not absolve the government from appointing the kind of commission which has done the sloppy and passive job which I have indicated. The board did not look into the relationship between Bell of Canada and its subsidiary, Northern Electric. The United States authorities have prohibited and forbidden the kind of close relationship which exists between Bell of Canada and Northern Electric. The commission should have inquired into what amount in excess of fair prices was paid to Northern Electric by Bell and which may be buried in Bell's earning base or operating expenses. It should have investigated the dividend policy of Northern Electric. It is true that the commission has no direct control over Northern Electric, but since Northern Electric is a wholly owned subsidiary of Bell of Canada, obviously its financial position is extremely important because Bell can hide in the profits of Northern Electric a good part of what are supposedly its operating costs. It should have compared Northern Electric's rate of return with those of other telephone equipment makers. It should have

[Mr. Orlikow.]

demanding a cost of manufacturing study of Northern Electric by private groups to ascertain the precise level of mark-up or profit from its sales to Bell that may be embedded in Bell's operating expenses or earning base.

• (4:30 p.m.)

The Board should have determined whether funds spent by Northern for research and development were excessive in relation to other operating costs and whether these were included in the cost to Bell of materials and services purchased from Northern. None of these things were done by the CTC in the last inquiry which it held when Bell asked for an increase.

On the basis of my personal experience with the way the former commission failed to protect the interests of the consumer, of railway passengers, I am very skeptical that the CTC will look closely at the proposal of the CPR to abandon its transcontinental train service. I remember speaking to the Chairman of the former Board of Transport Commissioners in 1966 and asking him was he aware of the rumours then prevalent among CPR employees that the CPR intended to do away with the Canadian, its transcontinental train. The chairman told me he had no knowledge of this.

I pointed out to the then chairman that a couple of years previous to that the CPR operated two transcontinental trains, the Canadian which was then still in operation, and the Dominion. I reminded him that the CPR had applied to Board of Transport Commissioners for permission to withdraw the Dominion from service, that the board had refused the application, and that then the CPR had taken the dining car and sleeping car facilities away from the Dominion. I do not have to tell members of this House that there are very few people willing to travel from Montreal to Vancouver by train if they cannot get a meal on that train or a place to sleep. The inevitable result was that in about six months the Dominion attracted no passengers.

The CPR then came back to the board and said, "We want to discontinue the Dominion; we can show you that it has no passengers and that we are losing a great deal of money on it." The board did not ask, "Why has it no passengers? Why is it losing money?" The board did as it always did, it rubber-stamped the discontinuance of the Dominion.

On the basis of past experience with the Board of Transport Commissioners, I am very much afraid that in acting as a regulatory