

*Canadian National Railways and Air Canada*

opinion. According to observers and consultants in the aeronautical industry, Air Canada offered a fair price. The question is, is this transaction unique, is it unusual, is Air Canada breaking new ground in acquiring part of the business of another airline? Further, what was its motive, and what will it get in return for its money?

The hon. gentleman said this afternoon, and I agree, that if Air Canada bought into Wardair simply to acquire equipment, the deal was not lucrative since Wardair equipment is limited, much of it being leased. Some of its equipment is useful in fulfilling contracts in the northern territories. Fundamentally, I do not think Air Canada bought Wardair shares in order to acquire more equipment, as it would be better to buy or lease equipment directly from the manufacturer. The intriguing question is, what would Air Canada want with Wardair in the first place?

I should emphasize that other airlines tried to acquire Wardair and failed. The owners of the business, the family group, would not give up their control of the airline business despite the cyclical nature of the industry which has made Wardair and other airlines conscious of the need for liquidity. If you look at the balance-sheet objectively you will see that Wardair improved its financial position consistent with the financial trends in that particular industry.

● (2010)

The significant thing is not so much the evidence that came forward at our committee hearings, but it did whet my curiosity to the point that I obtained transcripts of all the Canadian Transport Commission hearings, which are available. Let us presume, for the moment, I was persuaded by members of the standing committee that it was a terrible deal for Air Canada and a bad deal for the taxpayers that Air Canada, a Crown corporation, pay more than it should for the purchase of shares of this particular firm.

I was rather intrigued. I wondered why all these other corporations such as CP Air, Nordair, and Pacific Western were so publicly minded that they would go to the Canadian Transport Commission hearings and oppose the purchase of 30 per cent of the shares of Wardair by Air Canada. Was this a wonderful gesture on the part of these particular airlines to protect the Canadian people from Air Canada's alleged foolishness? It is nice to know private industry cares so much about the taxpayer that they would go to the Canadian Transport Commission and say they opposed the purchase by Air Canada of 30 per cent of the shares of Wardair. I am naive by nature, but I am not quite that naive. I just could not visualize large corporations such as CP Air, Nordair and two other firms hiring the best legal counsel in Ottawa, Toronto and out west for weeks of hearings simply to protect the Canadian taxpayer against a foolish gesture by Air Canada.

It seemed, there ought to be something a little deeper behind it all than just protecting the average taxpayer from the foolishness of Air Canada. It would be nice to believe this is the reason; however, when you read the testimony you find it is very incidental and not the main purpose at all for the opposition by these carriers to the proposed purchase of Wardair shares by Air Canada. Their opposition to the proposed purchase was legitimate. Cer-

tainly CP Air is a very legitimate organization: it has provided the very best in competition for Air Canada, and continues to do so. In case members opposite have any illusions, I tell them to make no mistake about CP Air. I have travelled CP Air as much as the next person, and I have enjoyed it as much as travelling Air Canada. If anything, I find their competition has improved the situation across Canada.

I am not so naive as to think CP Air would appear before the Canadian Transport Commission simply to protect the taxpayers' dollars when Air Canada proposed to buy 30 per cent of Wardair shares. When you read the five or six volumes of the hearings, it becomes very obvious that the fear of CP Air, Nordair and Pacific Western was that collectively Air Canada and Wardair could very well become a monopoly of the air charter business. The affinity group concept is disappearing, or has disappeared, and the shape of things to come is pretty well known in the airline industry. The traveller today wants some kind of package deal, if not for the sake of money at least for convenience. It is recognized there is very little use travelling half way around the world by any airline if you cannot have decent accommodation when you get there.

It is obvious that Air Canada, CP Air and other large competitive airlines realize that in the future they must be able to offer more to the travelling public, especially those who travel in the tourist rather than the business area. They want more than just air travel; they want a complete package.

It is obvious from the testimony given before the Canadian Transport Commission that the concerns, legitimate or otherwise, of CP Air and Nordair are that in the future Wardair-Air Canada as a package would wield a virtual monopoly over this type of operation in the Canadian air industry. This may be a very legitimate concern but it is an entirely different one from whether Air Canada is paying too much for the purchase of 30 per cent of the Wardair company.

I am not a lawyer, but I read the arguments placed before the Canadian Transport Commission with a great degree of envy because each and every company was more than ably represented by counsel: they were obviously specialists in this particular field. However, what decided the Canadian Transport Commission to approve in principle the purchase by Air Canada of 30 per cent of Wardair was the realization that unless this type of merger was made, the Canadian airline industry collectively was in danger of losing a greater and greater percentage of this type of business.

Statistics show that of the 450,000 charter flight passengers—I think that is how you designate these people—who travelled to and from Canada and the United Kingdom, 52 per cent travelled by foreign carriers. That is a considerably higher percentage than in previous years. Of the 48 per cent carried by Canadian carriers, Wardair carried 24 per cent, Air Canada 13 per cent, CP Air 7 per cent and Pacific Western 4 per cent. British Caledonia and BOAC carried 23 per cent.

● (2020)

So it was proven so far as the CTC was concerned that the relationship between Wardair and Air Canada was