

*Air Canada*

It is not a question of other airlines having had substantial capital at some point and Air Canada asking to be capitalized on a comparable basis. Those other airlines had relatively small capital at the beginning. They built up retained earnings, which has given them substantial capital today, whereas Air Canada has been building up very insignificant retained earnings in relation to their total size. What we are doing in the bill is, in effect, allowing Air Canada to catch up through this recapitalization as opposed to taking the route which other airlines have taken, that is, simply accumulating earnings over a period of years.

● (1632)

The next point is something that has often been overlooked. When we in committee asked the management of Air Canada to give us a proforma statement as to how they saw the earnings of Air Canada after capitalization, we were told that by 1981 they felt that if they were recapitalized, the total retained earnings of Air Canada would be \$70 million; in other words, their retained earnings would go from about \$13 million, in 1976, to \$70 million.

It is rather surprising that on the second day, when we asked them to tell us what would be their retained earnings if they did not have this recapitalization, if they simply carried on with their \$5 million capital and present debt structure, we were told the retained earnings on that projection would be almost identical. They said that if they carried on as they are, they would project their retained earnings to be \$69 million in 1981, compared to \$71 million in 1981, if they got the recapitalization. That has got to be a red flag for us. Their own internal projections show that if they are asked to carry on with the debt load they have, their retained earnings will be the same as if they were given the new recapitalization to which I referred, that is, additional capital of \$365 million.

I say it is a red flag because we know that as long as they have the debt structure there is a certain obligation on them to at least pay the interest on that back to the treasury of Canada. However, once we recapitalize them and give them an additional \$365 million, they have absolutely no requirement to pay dividends. They have absolutely no requirement to pay interest on that amount. They can have a free ride, if we do not make it clear in the legislation now before us that they must carry on their business in contemplation of profit.

It is important, if we are going to accommodate Air Canada as the government has asked us, that we, on behalf of the Canadian public, do not leave the public in the unfortunate position where one can have an airline with \$370 million, maybe up to \$750 million if the authorized capital is paid up, with no condition that they must run the airline on a profitable basis.

**The Acting Speaker (Mr. Ethier):** Order, please. I have to interrupt the hon. member because the time allotted to him has expired. He may continue only with unanimous consent. Is there consent to allow the hon. member to complete his remarks?

**Some hon. Members:** Agreed.

[Mr. Stevens.]

**Mr. Stevens:** I thank hon. members for their co-operation, Mr. Speaker. I will be brief on the question of whether we approve the amendment now before us. I wish to touch on one other matter. When the minister was speaking, he made reference to the fact that we are heading toward the point where Air Canada might be sold, at least in part, to private interests. The minister stated, and I quote from page 526 of *Hansard*:

I emphasize that it is a matter of this House and this government recognizing that where it is possible for a private sector-like operation to do a job effectively, that indeed is where it should be done. We are, in effect, giving the airline that kind of status while not yet having decided that, as owners of the airline, it is commercially right or the time to dispose of our investment interest in it. I see this happening with Air Canada—

This is the type of double-talk we get from the Trudeau Liberal government. They do one thing and then pretend that somehow or other they have a fundamental agreement or interest in the free enterprise system or in companies being left in the private sector. I raise this question because it is important to bear in mind that while the minister has put that on the record, if you read the bill you will find it disproves what he has said. For example, in clause 10 we find that, while the shares of Air Canada now have a par value of \$100, it is proposed to raise them to a par value of \$1,000. Surely that is not being done in contemplation of having private concerns buy into Air Canada. Let us not forget this fact. Not only are they proposing to raise the capital from the present \$5 million to a possible \$750 million, but they are also making that capital saleable only in shares of \$1,000 or multiples thereof.

Second, the bill provides that the shares of the corporation are not transferable. When issued to the Minister of Finance, they will be registered in the books of the corporation in the name of the minister and held by him in trust for Her Majesty in right of Canada. There is not even a prediction that they will be transferred to the private sector. To make that abundantly clear, clause 10(4) reads:

No shares of the corporation may be issued otherwise than as expressly authorized by this act.

Let us not allow the minister to convey the impression that somehow the passage of this bill will allow Air Canada in part to be owned in future by private concerns. This is also confirmed by the fact that the bill contemplates that in over 40 different respects Air Canada will be under the direction of various orders in council. Again, that is not being done in contemplation of Air Canada shifting to the private sector. The private sector will not invest in an airline dominated by a government which can simply instruct them what to do through orders in council.

I would state that with a capital of \$750 million, if that is what they eventually issue, it would be difficult to sell any shares in Air Canada. However, it will be absolutely impossible to sell shares in Air Canada if it does not make a realistic profit in relation to what other airlines are doing. That is what brings me back to this amendment. We are not doing our duty as members of parliament if we allow this amendment to pass, bearing in mind it will confirm that the directors of this airline may in future carry on their operation with no contemplation