

the HERALD Outlook

Sell VIA and CP to foreign buyers



Diane Maley
Your Business
Thomson News Service

Whatever happened to the rumored takeover of Canadian Pacific? Was our indignation all for nothing?

A couple weeks ago, the business community was abuzz with speculation that CP Ltd., that most Canadian of companies, was about to be swallowed whole by foreigners.

CP's stock price climbed as mystery buyers snapped up shares. Behind the scenes, big speculators may have been accumulating stock in anticipation of a bid.

Maybe the ensuing uproar scared the would-be acquirers away. The vision of foreigners swooping down on CP offended our national sensibilities. It was politically unacceptable.

Chances are that if someone really was sniffing around the big conglomerate, they are still huddled behind closed doors, trying to come up with a proposal that will soothe nationalist sentiment.

Let's say the buyers are a consortium of British, U.S. and Canadian companies. This is pure speculation. Their original plan was to make an offer for all of CP's shares, take the company private and divide it amongst themselves, selling the parts they didn't want.

They scotched this plan when they realized what they would be up against. Back at the drawingboard, their task is to come up with something they can sell to the people.

I have a suggestion. How about if we throw in Via Rail, the passenger rail service CP dumped on the federal government when it

became too expensive for the giant company to run. For a price, of course. The deal would be conditional on the buyers' keeping the rail service running.

After all, Canadian Pacific Railway still owns the land and the tracks that carry Via trains. It also owns the vast tracts of land that house the rail yards, some of the most valuable real estate in the country.

When Canadian Pacific was founded, the government gave it this land in order to make the railway possible. When cars, trucks and airplanes made off with the railway's business, CP dumped the unprofitable passenger service on us, the taxpayers. Yet it charges Via Rail a pretty penny for the use of its tracks.

Maybe the whole notion that someone wanted to buy Canadian Pacific was just a rumor. Or maybe the takeover artists lingering in the shadows have given up and gone home, at least for now.

CP A PLUM

But Canadian Pacific is ripe for a takeover. Investors could buy some stock and leave it at that - CP shares give them a cross-section of the Canadian economy: CP Rail, the Soo Line, CP Ships, CP Trucks, an interest in Laidlaw Transportation, PanCanadian Petroleum Ltd., CP Forest Products, CP Telecommunications, CP Hotels, Marathon Realty and AMCA International.

Trouble is, the stock market doesn't value conglomerates highly enough. Over the past few years, big investors have made more money buying and selling companies than they have buying and selling stock.

Sooner or later someone will come along and persuade us that the "restructuring" (breakup and sale) of CP would be good for Canada. It would certainly be good for CP shareholders, who would be able to sell their shares to the bidder at a handsome profit.

This would be a turning point in Canadian history. Whether it would be good or bad would depend on who ended up with what.

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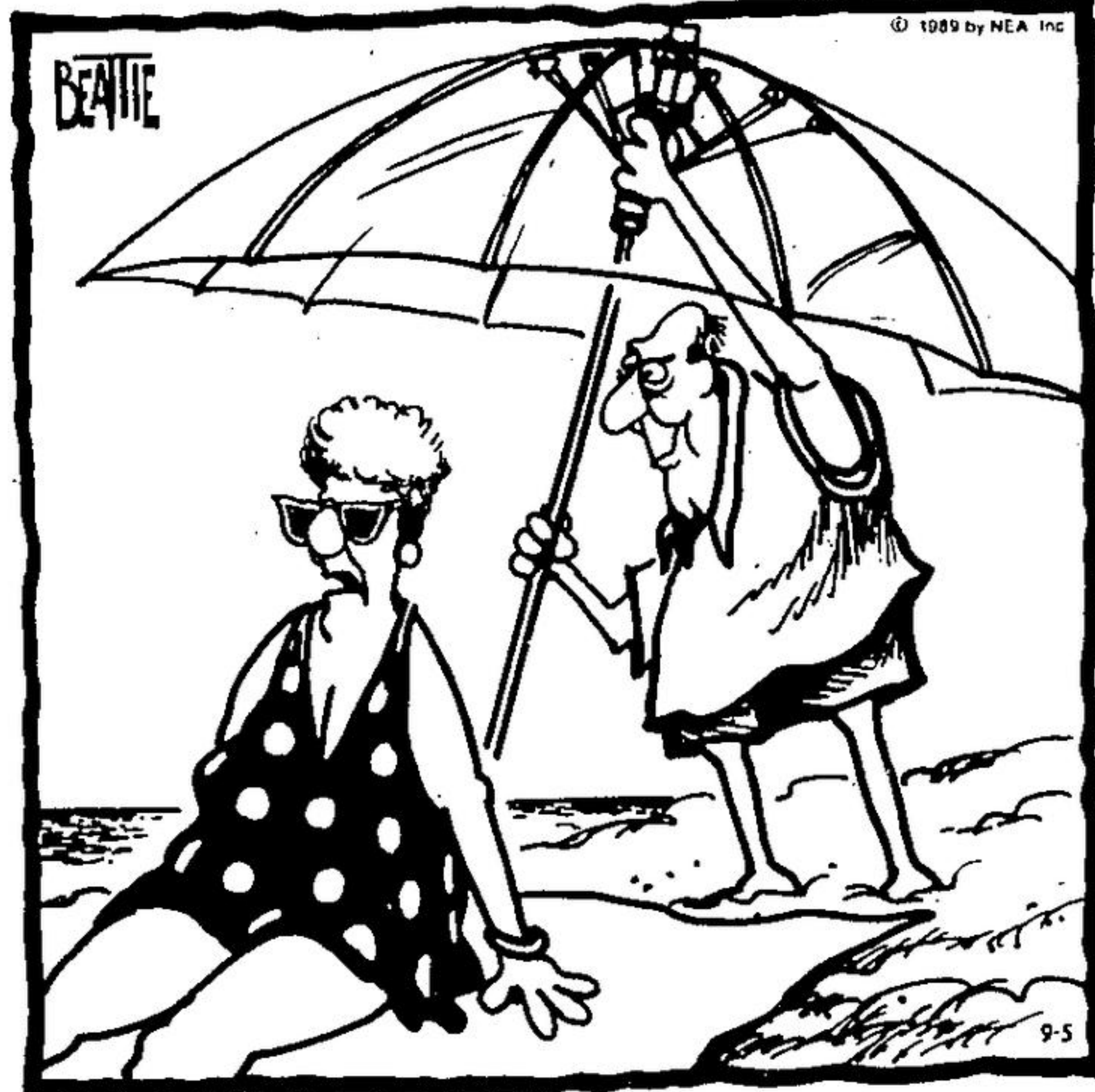
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"Why did you buy one made out of clear plastic? You know I can't stand the sun!"

Trudeau, our next Governor General?



Rennie Mackenzie
Ottawa
Thomson News Service

OTTAWA - One of the hottest topics this fall in this city of rumors and speculation will be the next governor general.

Jeanne Sauve's term as 23rd governor general has already been extended once, to next Jan. 1, and the 67-year-old former broadcaster and politician has made it clear she wants to retire.

Prime Minister Brian Mulroney has given no hints as to whom he may be favoring for the vice-regal position as Queen's representative and commander-in-chief of the armed forces. Pollsters have toyed with names and sampled public response to a number of possible candidates.

But when Parliament is called back into session, Mulroney will have only three months to decide on a successor to Sauve. And that's when the rumor mills will be grinding at full speed.

Before Mulroney extended Sauve's term, the Gallup organization attempted to gauge public acceptance of a number of public figures. To the surprise of some, they found former prime minister Pierre Trudeau was the choice of more than a third of those who responded.

Trudeau was ranked 13 percentage points ahead of former cabinet minister Flora MacDonald and the rest of the pack, which included Joe Clark, Robert Stanfield, William Davies, Richard Hatfield, former U.K. high commissioner Roy McMurtry and Supreme Court Chief Justice Brian Dickson.

The choice, however, is not up to the public. Since 1952, prime ministers have been appointing the heads of state with the official en-

dorsement of Buckingham Palace.

And if Mulroney holds to the tradition of alternating between two official language groups, he will appoint an anglophone - who will likely be from outside Quebec.

But, like Trudeau before him, Mulroney has proven adventurous in his appointments of women, blacks and ethnics to the high courts and vice-regal posts. The gender barrier to the governor general's title fell with Trudeau's appointment of Sauve, so if Mulroney is thinking of blazing any new trails, he might be considering an ethnic or native candidate.

Whoever replaces Sauve will inherit one of the richest rewards the country can offer its public figures. The annual salary of \$80,000 is meagre compared to other top corporate and political offices, but the perks that are lavished on the head-of-state are extraordinary.

SPRAWLING PALACE

"Home" is a sprawling palace on an 88-acre forested site in the exclusive village of Rockcliffe. Inside, it is a glittering maze of ballrooms, banquet and dining rooms, reception halls and galleries. Outside, it is a pastoral estate of gardens and recreational fields tended by landscapers and groundskeepers. It is dotted with staff quarters, greenhouses, carriage houses and service buildings.

A masonry and wrought-iron perimeter fence seals the grounds. RCMP control the gates. Access is granted to pass holders, guided tours and the local cricket club.

The vice-regal family can also escape the capital by reposing in the "Quebec residence" inside the historic Citadel fortress overlooking the St. Lawrence and the Plains of Abraham.

The \$9.3 million annual budget also provides for a lot of entertaining and travel that must accompany the heady lifestyle of a head of state. The governor general and spouse are expected to host visiting members of the Royal family and other heads of state and official visitors. Lavish banquets, receptions, luncheons, balls and parties are also arranged for a variety of reasons.

Treat pizzas equally

Vic Parsons
Ottawa Bureau
Thomson News Service



Does the release of the Goods and Services Tax papers signal an end to the Great Frozen Pizza Debate?

Alas, we can say with certainty, it does not. But we may have seen the end of the beginning.

You may recall that pizza recently came to the fore as an issue in Michael Wilson's new sales tax foray. Under the proposed rules, pizza dished up in a restaurant would be subject to the impending tax - fast becoming known as the GST - while the frozen variety purchased in your local supermarket is exempt. That's because the chilled variety might be considered a "basic grocery."

"Foul play!" cried the restaurateurs. "All pizzas should be treated equally."

Now, you may take the view that frozen pizza can't hold a candle to the succulent delight served at the local diner, and it's worth paying the extra amount. But the prepared-foods question is one of the trickier ones to confront the government as it prepares to implement the GST by Jan. 1, 1991.

The finance minister has made it clear that he wants to discuss with the food industry and restaurateurs the definitions of "basic groceries." It may be necessary, he suggested, to separate the tax-free from the taxable, product by product. The vast majority of grocery store products would be tax free.

POSITIVE MOVES

This willingness to be flexible should be viewed positively. After all, facing a vast array of critics, Wilson has already made concessions to amend presumed flaws. And promised hearings on the GST haven't even begun yet.

No one should doubt Wilson's determination to replace the existing, and widely denounced, manufacturers' sales tax. He stood firm again Tuesday: "We are absolutely committed to going ahead with this tax."

Wilson says he's not under any illusions that replacing a hidden tax with something more visible will make the government popular. But he firmly believes the GST is, "in the economic sense," the right thing to do.

However, he has promised steps to make the proposed GST less burdensome. Let's look at a few of these:

-Critics charged that a sales tax is regressive, hurting poorer citizens more. To deal with this, the refundable sales tax credit for adults will be almost tripled to \$275 in 1991 and doubled for kids to \$100. Single parents can claim the adult credit for one of their children. About nine million Canadians will receive credit cheques and the first quarterly payment will be made in December, 1990, before the new tax is introduced.

The middle personal income tax rate will be reduced in 1991 to 25 from the current 26 per cent.

Families earning up to \$30,000 a year will be better off, Wilson says. Moreover, he says these changes

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Berry's World

HAVE YOU SEEN
THE ABYSS?



WHICH
ONE?

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