cut down the company's overhead, and in this way effect a saving that could well be made use of to help bring about some reduction in rates. A rate of 4 per cent might have been all right twenty-five years ago, but it is a rather high rate for a great corporation with good credit to be paying today.

I have already pointed out that the Canadian Pacific Railway's annual statement for 1948 shows that there was placed in "other income account," apart from railway operations, an amount of $27 million. One can clearly see that if this large sum had been available to augment the earnings from the railway proper, the Board of Transport Commissioners would have had placed before them a financial statement much more favourable to the public than the statement that was presented.

The public are anxious to see rates kept at a level that will stimulate rather than strangle industry. In the Maritimes, freight rates have not only gone through the roof, but have nearly hit the sky, and owing to our geographical position these high rates are seriously hurting our industries. Every senator from the Maritimes and the West knows how industry is being handicapped by high rates. Anything we can do to bring about a reduction in rates should be done. We have to keep close watch on our transportation companies and check up carefully on the excuses they put forward for raising rates. This so-called "other income account" into which the Canadian Pacific Railway puts so much of its earnings seems to me to be part of a scheme whereby profits are passed along to the railway's shareholders without being classed as regular railway earnings. Most of the shares are held abroad and are not taxed, as are securities held in Canada. Therefore, the people of Canada lose by having to pay higher freight rates, and lose again by receiving less taxes. For the railway it seems to be a case of "heads I win, tails you lose."

My question is this: If this investment in the Shawinigan Falls Terminal Railway is profitable, will the profit or earnings augment the Canadian Pacific's regular railway earnings and be treated as such when railway rates are under consideration or, will they be deducted from the total of the railway's regular earnings and be considered as "other income"?

Take the case of the Canadian National Railways. According to recent proposals they are now trying, and rightly so, to get themselves on a sound economic basis, where their earnings will be a reflection of the actual money invested in the lines since the company was formed and of the true value of the assets taken over. In other words, it is proposed to wipe off the deadwood for which the company is not responsible. Only in this way will it become possible to ascertain what are the true earnings or losses of the Canadian National Railways.

I think the Canadian Pacific Railway's earnings—I mean the earnings on which freight rates are based—should be a true reflection of the money invested by shareholders in payment for shares, plus the accumulated profits thereon, and also of other valuable considerations handed over by the government, in the form of lands, subsidies, etc. In my opinion these considerations were given, not for the purpose of swelling the railway's "other income account," but to help the company to carry on by charging fair and equitable rates to all parts of the country, so that commodities would flow freely to markets from the outskirts of Canada as well as from the central parts.

I repeat that I am not against this bill at all. But we have to consider a principle that is involved, namely, whether a railway should be permitted to take money from accumulated railway profits and invest it on the understanding that the return from the investment will not be included in the regular earnings upon which freight rates are based. In other words, should we permit a railway to keep its accounts in such a way that a proper picture cannot be presented to the Board of Transport Commissioners?

Hon. Mr. Haig: I would like to ask the honourable gentleman a question. If the railway made a bad investment in something outside the regular railway service and lost a lot of money, would he say the railway should be permitted to raise its freight rates in order to compensate for that loss?

Hon. Mr. McLean: I do not see any other way in which the railway can charge up an investment that does go sour. The only money the railway has is in its treasury, and that is an accumulation of profits. It seems to me that is the only thing to which the railway could charge the loss.

Hon. Mr. Haig: Then you say that the system of accounting now used by the Canadian Pacific Railway is wrong, and that if in future the railway makes a loss on any outside investment that loss should be reflected in increased rates for the transportation of general merchandise? Is that your argument?

Hon. Mr. McLean: I do not see any other answer.

Hon. Mr. Haig: Let my honourable friend answer the question.