

They are simply advising that we do with past deficits what the present government has done with the deficits of 1932 and 1933.

Fourth:

Writing out completely the governmental grants in aid of construction represented by the old Grand Trunk debentures to the amount of \$15,142,633.33 ... because this portion of the grants was placed junior to the old Grand Trunk stocks which were declared worthless in the 1921 arbitration.

That leaves two items; the amounts that were advanced specifically for capital purposes, one of something like \$355,000,000. That actually went into the construction of the road, being actual capital invested. The suggestion of the auditors is that, instead of this amount plus the amount of \$404,000,000 that was expended on the Intercolonial railway, being carried as an ordinary liability by the Canadian National Railways, they should issue to the government of Canada \$760,000,000 in common stock, upon which necessarily no interest would be paid. That is, that amount which has actually been expended in capital would in an ordinary company be raised no doubt by subscriptions for stock and it then would not be an ordinary debt upon which interest would be paid, but it would be capital stock upon which dividends would be paid if any were earned and if they were not earned, it would not be kept on the books as a liability upon which interest would be compounded and pyramided from year to year. If these recommendations were carried out, there would be this situation according to the auditors; items now totaling \$1,011,000,000 would disappear entirely from the railway company's account with the Dominion of Canada and the remaining \$760,000,000 would appear not as a debt owed by the railways as a debtor to the government as a creditor, but as an investment by the government as I have explained before, and it would be subject as is said, to the ordinary risks of business. If there were a profit, the government would get a dividend. If there were a loss, it would not be carried on the books as a liability of the company for all time to come.

I have given this information for the purpose of showing that this matter is of very considerable importance to the people of Canada. It is only fair to the Canadian National Railways that the books should be rectified so as to show the exact condition of the railways with regard to their relation to the dominion government. The minister has said: Even if you write this down, it will not relieve the people of Canada by one cent from the necessity of paying interest. That is quite

true and I for one would like to correct any opinion that has gone abroad, if it has, that if we write down the capital, we shall save interest. We shall not save anything at all. The amount of the Canadian National Railway debt that has already gone, that has already been absorbed into the debt of the country, is taken care of by payment of interest from time to time as the interest on the federal bonds matures. As regards indebtedness owing to the public, it goes as a matter of course that the interest on that has to be paid. But this would put the Canadian National Railways at a fair valuation in the eyes of the people of Canada; they would not be constantly told that this railway has cost us \$2,700,000,000 or \$2,800,000,000 and that our deficit from year to year is about \$100,000,000. It is worth while doing this because if one thing has occurred within the last two or three years—and I regret it very much and I think some other hon. members also regret it—it has been this, that by misrepresentation of the condition of the Canadian National Railways either in regard to expenditures or capitalization the confidence of the people of this country has been shaken in the principle of public ownership of railways in a way that is not at all justified by the facts. As I said a while ago, the situation is bad enough, and speaking for myself I have advocated one way of avoiding the extreme waste by way of duplication and so on as between the two railways. I did not however rise to say that to-day because it is entirely a personal opinion.

Mr. MACKENZIE (Vancouver): Hear, hear.

Mr. EULER: The hon. member will have an opportunity of expressing his own views.

In conclusion, I would say that these changes if they are made would be in keeping with the facts and with common sense, and I think the government should give its immediate attention to the recommendations that were made in good faith by the auditors who are now being replaced. I would like to repeat: My chief reason for suggesting that the change in auditors be not made now is in order that the present auditors may appear before the parliamentary committee on railways which will be appointed, I hope soon, and which will be given an opportunity of meeting a little sooner than it did last year, and they may be of assistance to the committee by explaining the terms of their recommendations so that after the committee rises we may make an intelligent report to the house.