

I think both the present government and the previous government have given a great deal of consideration to this question, and I believe that the present minister has reached in part a fairly satisfactory conclusion. I want to assure him that if he will go carefully into one or two other contracts which were signed on the same basis as that of the Lyaal Construction Company he will discover that the same principle of compensation should apply to them. I just want to urge upon the minister, as the leader of the opposition has done, to be fair in every respect. There are one or two smaller cases of the same kind, and if a presentation is made to the minister as has been done in this case I feel satisfied that he will make a fair and equitable adjustment.

Item agreed to.

#### Deficit of Canadian National Railways—

Amount required to provide for payment to the Canadian National Railways Company of the net income deficit including profit and loss, incurred by the system during the year 1935 as certified to by the auditors in the annual report of the company for the year 1935, but exclusive of all non-cash items, including interest on dominion government advances, as further certified to by the auditors and approved by the Minister of Railways and Canals; this payment to be applied in reduction of accountable advances made to the company from the consolidated revenue fund under authority of the Canadian National Railways Financing Act, 1935:

Canadian National Railways, excluding eastern lines, \$41,795,757.24.

Eastern lines, excluding Prince Edward Island car ferry and terminals, \$5,265,373.20.

Prince Edward Island car ferry and terminals, \$360,334.36.

Mr. BENNETT: I take it that these matters have been referred to the select committee that is going to deal with the whole situation?

Mr. HOWE: Yes.

Mr. BENNETT: The \$41,000,000 represents, so far as I have been able to read the reports, the operating deficit of the road during the calendar year 1935.

Mr. HOWE: Excluding the non-cash items.

Mr. BENNETT: Yes. What is included in that?

Mr. HOWE: The railroad charges, for instance, some \$5,000,000 a year for the retirement of rolling stock, and there are a few other charges of that sort.

Mr. BENNETT: Is this all the money we shall be called upon to pay with respect to the 1935 operations?

Mr. HOWE: There is about \$10,000,000 of capital expenditure.

Mr. BENNETT: I mean, outside capital expenditure.

Mr. HOWE: Yes, this is all outside capital expenditure.

Mr. BENNETT: The passing of this item, of course, is without prejudice to the inquiry. There is nothing we can do but pass the item because it is now three months after the end of the calendar year and the matter must be dealt with. But in passing the item we are not prejudicing our position to inquire into the loss of the Prince Edward Island ferry, for instance, and matters of that sort.

Mr. HOWE: Not at all.

Item agreed to.

Ocean and river service—miscellaneous and unforeseen—further amount required, \$13,500.

Mr. BENNETT: What are the details of this?

Mr. HOWE: These are expenses incurred in a lawsuit with the Coughlan interests at Vancouver. Action was taken against the government and this is to cover the legal expenses in excess of the appropriation we had last year.

Mr. BENNETT: Was judgment given in that case?

Mr. HOWE: Judgment has not yet been handed down.

Mr. STIRLING: Is that the China subsidy?

Mr. HOWE: It is a claim going back to the war days when they built some ships.

Mr. BENNETT: This \$13,000?

Mr. HOWE: That is the legal costs.

Item agreed to.

Public Works chargeable to capital—Marine department—River St. Lawrence ship channel dredging—(A) to provide for contract dredging—further amount required, \$511,401.76.

Mr. HOWE: This is for dredging work that was carried on last year in excess of the appropriation. After taking over the department I stopped the dredging as soon as I found that the appropriation had been overrun, but \$500,000 had already been expended in excess of the appropriation, and I think in the previous year the amount over-expended was \$1,000,000.

Mr. BENNETT: There is a provision in the contract—I recall it very well because when we were in office we met with the same situation, to the effect that the contractors, if they wish to take advantage of favourable weather conditions, may proceed with the dredging and do as much as they can, but