

C.N.R.—Refunding

obtained by the privately owned company on the one hand and by the publicly owned company on the other.

Section agreed to.

Preamble agreed to.

Bill reported.

CANADIAN NATIONAL RAILWAYS

REFUNDING OF MATURING AND CALLABLE
FINANCIAL OBLIGATIONS

Hon. E. N. RHODES (Minister of Finance) moved the second reading of Bill No. 19, respecting the Canadian National Railways and to provide for the refunding of maturing and callable financial obligations.

Motion agreed to, bill read the second time and the house went into committee thereon, Mr. MacDonald (Cape Breton) in the chair.

Sections 1 and 2 agreed to.

On section 3—Issue of substituted securities.

Mr. EULER: I am not sure whether it is in order on this section, but I should like to bring to the attention of the minister a question I asked him the other day, namely as to whether or not these bonds would be issued direct by the government or issued by the railway company and guaranteed by the government. I note that one of the clauses of the bill provides for an issue by the railway and a guarantee to be given by the government. Would the minister state the reason why that is being done? It was understood by the railway committee that we could finance more cheaply by having a direct government issue rather than an issue by the railways guaranteed by the government.

Mr. RHODES: This bill contemplates the refunding of guaranteed securities.

Mr. CASGRAIN: By whom?

Mr. RHODES: Hon. gentlemen will note that section 8 of the bill authorizes loans to the Canadian National out of the consolidated revenue fund, which would constitute a direct obligation. The question as to the extent to which it would be advisable to substitute direct obligations for guaranteed securities is a large question of major policy.

Mr. EULER: I should like to be clear on the point. Does the bill give the government authority to change the proposed action? That is, they could take either course?

Mr. RHODES: Yes.

Mr. EULER: Would the minister state the present intention?—because I suppose action will be taken immediately.

[Mr. Hanbury.]

Mr. RHODES: It will depend entirely upon the circumstances.

Mr. EULER: There is no decision yet as to which the government will adopt?

Mr. RHODES: No, nor could there very well be. The decision will depend entirely on market conditions, and the type of bond.

Mr. EULER: There is no decision now?

Mr. RHODES: As I said the other day the difference between the guaranteed security and the direct obligation of the dominion is, in our own market, very slight.

Mr. EULER: Is the minister making them callable?

Mr. RHODES: Yes, every one of them.

Sir EUGENE FISET: I was under the impression when two or three years ago the policy was inaugurated whereby we introduced the estimates of the Canadian National railways by resolution rather than by items in the estimates, part II of the bill provided that any loans of the Canadian National Railways should in the future be floated directly by the government. In the same year we had a discussion in the railway committee and ascertained from the auditors and also from the officials of the Canadian National Railways that either in the floating or in the refunding of a loan the government by direct issue could save at least one-third of one per cent. That is why we are anxious to ascertain the policy the government intends to follow.

Mr. RHODES: The matter to which the hon. member for Rimouski refers had no reference to refunding. This bill has to do entirely with the refunding of existing issues.

Mr. EULER: What difference is there? Is there any difference in the principle?

Sir EUGENE FISET: I think the minister is making a mistake. I do not think it provided only for refunding for the same year in which the discussion took place. I believe however that the matter of refunding at least one loan was mentioned in the bill.

Mr. RHODES: I must agree to disagree with the hon. member because I am advised that there never has been any commitment of that kind, either by the committee or by the house.

Sir EUGENE FISET: In committee, I discussed the matter of refunding and the floating of new loans. I took the trouble to ascertain from officials of the Canadian National Railways and also from the auditors