

proceeds of the \$45,000,000 remaining with the receiver general available for finishing those works.

So far as concerns rolling stock, I pointed out last night that the Drayton-Acworth report dealt with that, and that while the company had stated that it would require \$25,000,000 worth of rolling stock, the report of the commission was that, in their opinion, it would require \$50,000,000 of rolling stock, spread over five years. But it was stated in the report that that was on the basis of the business of the system being increased by 90 per cent. I pointed out that it would be the object of the Government that the public of Canada should be served, so far as possible, by the Canadian Northern railway being adequately equipped with rolling stock, and I said that the Minister of Railways was giving orders for cars for the purpose of still further equipping the Intercolonial and the National Transcontinental railway. I said also that, while it might require large sums to ideally equip any railway, the company could reasonably get on with such expenditures for rolling stock and other equipment as might be possible, having regard to financial conditions. I do not believe myself that would present a very considerable financial burden, that is in financing the company to the extent necessary to purchase rolling stock for, as my hon. friend knows, the ordinary railway company furnishes itself with rolling stock by issuing what are called rolling stock debentures. The Canadian Northern railway will remain as a going concern and can issue debentures secured upon rolling stock purchased, provided it is in a position to pay down a certain small percentage at the outset. My hon. friend is familiar with the way in which these debentures are retired by paying off each year the interest and part of the principal. My hon. friend has information that the company has spent its earnings in betterments and other instalment payments, principally upon rolling stock, and that it has run behind to the extent of the interest upon its underlying securities, which is a matter of some \$15,000,000. I stated that the company would require, in order to go on until the spring of next year, some \$20,000,000 or \$25,000,000, and instead of the Government making them a loan, we determined we would take over the stock, so that any advances made would enure to the benefit of the people of Canada.

So far as the short term loan situation is concerned, there is something like \$98,-

[Sir Thomas White.]

000,000 spread over two years, but those loans are all very well secured in many cases by Government guaranteed securities to an amount more than representing the short date notes which had been issued against them. What I would look forward to would be—just as during the past two years—the company renewing those loans as they fell due, or making one or two short date issues, for the purpose of obtaining the money to retire the present short date issues as they matured. In other words, the company will continue its corporate financing after the Government becomes the sole stockholder. That is one of the advantages, as I submitted, in our maintaining the corporate entities of the Canadian Northern and all the other underlying subsidiary and constituent companies.

Mr. GERMAN: Are these land grant bonds or debentures secured in any other way, excepting on the land itself? As I understand, there are no liens against the physical property of the Canadian Northern railway. Are these four per cent land grant bonds, 1909 and '99, etc., and land mortgage debentures secured by a mortgage on, for instance, the Canadian Northern Railway system, or are they secured by mortgage on the land itself?

Sir THOMAS WHITE: Before the Bill is considered in committee, I shall inquire particularly into that matter, but I may say to my hon. friend that the debentures, while they are the obligation of the Canadian Northern railway, are secured only upon the lands which were owned by the Canadian Northern, the equity of which, of course, is still in the company.

Mr. GERMAN: Then the Canadian Northern would be personally liable for this indebtedness, but there would be no lien for the amount of that indebtedness against the Canadian Northern railway itself. I presume these unguaranteed securities are secured by a mortgage on the physical property of the railway?

Sir THOMAS WHITE: Yes.

Mr. GERMAN: And in priority to the trust deed taken by the Government in 1914?

Sir THOMAS WHITE: Yes.

Mr. GERMAN: So that if foreclosure proceedings were taken under the trust deed of 1914, the mortgage securing what I would call the unguaranteed securities would have priority, and would have to be paid off?