Then we have the precedent of the accounting practice of the state-owned railways of Australia, New Zealand and South Africa. In connection with the Victorian railways, legislation passed December last provides for writing down of the railway loan liability by £30,000,000 sterling. It is a forty per cent write-down, which is very heavy depreciation. The interest on this capital write-down will no longer appear as a charge in the railway accounts. There is no accumulation of prior years' deficits in the 1936 balance sheet.

In the annual report of the South Australian railways for the year ended June 30, 1935, the commissioner suggests a capital write-down of £10,800,000 sterling and the elimination of interest on that sum. Deficits accumulated up to 1927 were written off by parliamentary authority in that year.

The 1936 balance sheet of the Western Australian railways shows no accumulation of prior years' deficits. The Queensland Railways had a capital write-down of £28,000,000 sterling under parliamentary authority in 1931. The interest on this capital write-down no longer appears in the railway accounts. There is no accumulation of prior years' deficits on the 1936 balance sheet. The New Zealand Railways had a capital write-down of £10,400,000 sterling under parliamentary authority in 1931. The interest on this capital write-down no longer appears in the railways' accounts. There is no accumulation of prior years' deficits on the 1936 balance sheet.

Now as to the Securities Trust. We are eliminating from the present indebtedness of the railway several items which I think we all agree should properly be eliminated. One item is some $373,000,000 of accumulated deficits; another amounts to some $530,000,000 of interest. We have claims here totalling about $1,100,000,000, of which only $270,000,000 was actually invested in the railway property. That $1,100,000,000 has a value in that it establishes certain priorities in connection with any claims against the railway property made by anyone other than the Dominion Government, and for that reason we have thought it worth while to preserve those claims. Nevertheless we do not wish to burden our balance sheet with more than the amount of those claims representing the actual investment in the property. Therefore, as a matter of convenience only, we have set up a company to be known as the Securities Trust, which will hold all the claims, totalling something over a billion dollars. But we shall put a value on the Securities Trust representing the $270,000,000 so invested in the property, and that amount we wish to include in the balance sheet of our railway as part of the proprietor's equity. Therefore we set up this company in a form which will permit it to be consolidated in the balance sheet of the railway, and we make the provision that this Securities Trust is a company within Canadian National Railways.

On the other hand, we place the stock and ownership of the company in the hands of the Minister of Finance, in lieu of the claims he formerly held, totalling over a billion dollars. We then say that we shall issue five million shares of stock representing ownership of the Securities Trust. After all, five million shares does not seem to be out of line with claims having a face value of over $1,100,000,000. So there we have our Securities Trust, a company

wholly owned by the Minister of Finance, a company within the Canadian National Railways in order that its stated value may be consolidated with the railway balance sheet.

The question arises what the net benefit of all this may be. It seems to me that it can be put concretely in a few words. In the first place we put a value on the property, the Canadian National Railways, which represents the total money invested in that property. Surely that presents a fairer picture to the public and the world at large than the present structure, enlarged as it is by operating deficits and interest thereon. It seems to me it is going to give the officers and employees of the railways a more reasonable objective to attain. Surely the earning power of a property must bear some proportion to the investment in that property. And setting up as the capital the investment in the property rather than a large inflated sum will, I believe, put new hope in those responsible for the operation of the property.

It also shows to the world a consolidated balance sheet of Canada and its wholly owned subsidiary which will give a real picture of the total indebtedness of the two. With this balance sheet we can say to the investor in the securities of Canada: "We have a certain debt which is shown in the net debt of Canada. We are responsible for a certain other debt, the funded debt of the Canadian National Railways, as shown in her balance sheet. If you add one debt to the other you have the total indebtedness of Canada, and when you buy a security of either the Government of Canada or the Canadian National Railways you are buying your proportion of that consolidated debt." When that picture is shown, I believe we shall be better able to say to the investor of Canada: "If you buy a bond of the Dominion of Canada or a bond of its principal subsidiary, the Canadian National Railways, you will be buying an obligation of the Dominion which, when due, will be met in full in the future just as it has been in the past."

Now, there is a warning which has gradually invaded and possessed my mind in connection with the many criticisms I have heard about this resetting of our financial situation. It is that some people in Canada who, from tradition, are opposed to State ownership, are fearful that we may show our assets in the Canadian National Railways in such a light as to give hope of securing some advantage not only for the country, but also for the Canadian National Railways. I have heard criticisms indicating a fear that even the slightest touching of the accumulated debts crowding upon the Canadian National Railways might lead the public at large to believe that better days were in prospect for those railways. This asset is our property. I believe that this vast investment by the ratepayers of Canada should be treated fairly, and I am convinced that the amount of money, about $1,100,000,000, which would go into the trust represents what might fairly be called a shareholders' equity in the institution. I feel that it is a shareholders' equity in the operations