Hon. Mr. Fogo: I presume the Shawinigan Water and Power Company, as the principal freight consignor or shipper at that point, would in the final analysis pay the switching charges, either directly or indirectly.

Hon. Mr. Bouffard: Once the railway belongs to the CNR and the CPR, the Shawinigan Water and Power Company will not have anything to do with it.

Hon. Mr. Fogo: They will still pay for the switching, will they not? Somebody has to pay for the switching.

Hon. Mr. Bouffard: Each company will pay for its own switching.

Hon. Mr. Fogo: Yes, but the shipper ultimately pays for it.

Hon. Mr. Bouffard: Yes, but the amount of money paid by an industry to ship a car from Shawinigan Falls, let us say, to Montreal, is not any more or any less because the switching operation is done by one company or the other. If the Canadian National and the Canadian Pacific can do the switching at a lower cost, it will be for their own benefit.

Hon. Mr. Fogo: Will they pass on that lower cost to the shipper? That is my point.

Hon. Mr. Bouffard: I think there is a tariff.

Hon. Mr. Fogo: But do you anticipate that the tariff will be varied downward as a result of this purchase, or will the tariff remain the same, notwithstanding the reduction in the cost of switching?

Hon. Mr. Bouffard: I could not tell you that I think that will depend upon the existing contract between the different shippers and the railway. It may be that if the switching is done at a lower cost the operation will cost the shipper less.

Hon. Mr. Fogo: The saving may be passed on?

Hon. Mr. Bouffard: Yes.

Hon. A. Neil McLean: Honourable senators, I am not opposed to this bill, for I think the Canadian Pacific Railway should be allowed to make any investments that it desires—I am sure it knows its own business—but I think certain stipulations should be made when money is taken out of the railway treasury for outside investments. The company's annual statement for 1948 shows receipts of $27 million in "other income account." I understand that in the recent application to the Board of Transport Commissioners for increased freight rates the company contended that its earnings from outside investments should not be regarded as earnings of the railway proper, or as part of the picture presented by the railway to show that it was unable to pay its overhead and dividends. In other words, it was contended that these outside earnings are deductible from the railway's total. This procedure, of course, aids the railway in its plea of insufficient income, and increases its chances of obtaining higher freight rates.

It is my opinion that an outside investment which goes sour adversely affects the railway earnings proper, but an investment that turns out well may have little or no effect upon the amount of railway earnings available to keep down rates, for under the company's system of bookkeeping the earnings from outside investments are often not included as real railway earnings. The funds taken out of the railway treasury for investment are generally accumulated railway earnings. Therefore it seems to me that the earnings on such investments should go back into the treasury to augment the regular earnings and help to keep down rates.

It appears that the railways, before they can make these outside investments, must obtain permission from parliament; and it seems to me only reasonable—in saying this I have in mind not only this bill, but any such bill—that parliament, before giving its consent should safeguard the public interest by prescribing that any earnings derived from moneys taken out of the railway treasury for investment outside the railway proper, shall be returned to the treasury in order to augment the regular railway earnings. Had such a procedure been followed in the past it would, I think, have contributed very considerably towards keeping railway rates lower than the level they are at today.

I understand that the railways control the Toronto terminals, which have a bond issue, and that part or the whole of this issue is owned by the railways. Now, although rentals paid for the terminals are a charge against railway earnings, the bond interest received by the railways is placed in "other income account," apart from regular railway earnings.

I am not against this investment by the Canadian Pacific Railway Company in the Shawinigan Falls terminal railway. As I stated, I presume the Canadian Pacific Railway knows its own business, but I think certain stipulations must be made with regard to the earnings on investments made with moneys taken out of the railway treasury. Such moneys could easily be used for purposes that would bring in a return or substantially reduce the overhead of the company. For instance, they could be used to redeem its 4 per cent debenture stock or other funded debt. The redemption would