

Hon. Mr. HOWE: May I make an explanation of this position as I have seen it? We have been in the railroad business since we built the Intercolonial, and we have been operating at a loss. We put up the money for the deficits each year. Now, a man running a business and who had deficits would never put up money for those deficits in the form of bonds on which interest would be charged. What he would do would be put up money as common stock. We have been doing that every year we have been in the railway business. We have been making up the deficits. In the year 1933 we acknowledged our error and said we were not going to do this any more. We were not going to continue to capitalize money that we put in to keep the enterprise going, the enterprise we owned. We have been making up the deficits by a system of issuing bonds which is perfectly nonsensical, and we were thereby not accruing any assets, and there was no possibility of it producing any revenue. We stopped that in 1933. We said we were not going to fool the people of Canada or fool anybody else by borrowing money to meet that deficit, we are going to take it out of the consolidated revenue fund.

Hon. Mr. STEWART: The government had to borrow money to put into the consolidated revenue fund.

Hon. Mr. HOWE: At the moment we have got it in our budget. Now, that is the explanation.

Mr. WALSH: That is the point.

Hon. Mr. HOWE: In the meantime we piled it up about \$600,000,000 to date. Now, the C.N.R. cannot be expected to earn a profit on that.

Mr. VIEN: No. That is quite a question. The point is that if you, through taxation, take out of the public exchequer so many million dollars a year—

Hon. Mr. HOWE: We took out \$27,000,000 this year, the exact amount that it will really cost the country this year.

Mr. WALSH: Plus the interest on the money borrowed to put into the Canadian National, plus what the Canadian National had destroyed in this extra equipment.

Mr. VIEN: It is costing \$47,000,000.

Hon. Mr. HOWE: The extra equipment written off, yes; only when we wrote it off, we wrote it off in one year, where it should have been spread over a period.

Hon. Mr. STEWART: The public would understand by that heading that the two gentlemen were dealing with the same matter.

Hon. Mr. FULLERTON: The heading was quite wrong.

Hon. Mr. VENIOT: It is the newspaper's fault.

Mr. WALSH: Could I just confirm their figures that I have here? I understand from your computation that we inherited from the predecessor companies \$1,336,000,000 of debt. Is that figure correct? That is what we inherited when we took over this conglomeration?

Mr. FAIRWEATHER: Where do you get that figure?

Hon. Mr. HOWE: That is not correct.

Mr. WALSH: I got it from the Statistical department; from some book I have up in my office.

Mr. FAIRWEATHER: That purports to represent the total liabilities?

Mr. WALSH: The total liabilities when you took over the Canadian National Railways.

Mr. FAIRWEATHER: Including common stock?

Mr. WALSH: Including everything. That was your liability in taking over. That is correct?

Mr. FAIRWEATHER: I think, including common stocks, it is correct; yes.