

The reason for that is this. There has always been some misunderstanding with regard to the debt of the Canadian National Railways. Now I say that we have not had a fair picture of the situation of the Canadian National Railways. It is bad enough, and during the present year we shall still fall short of paying interest on the bonded indebtedness to the public by about \$50,000,000. But when you figure that according to the Canadian National books there is still owing by the railways an additional \$1,700,000,000, then the people are almost justified in figuring interest on that \$1,700,000,000, and it is very easy then to put the deficit of the Canadian National Railways at upwards of \$100,000,000.

It is not fair to carry on the books of the Canadian National Railways that sum of \$1,770,000,000 owing to the Canadian government, and the reasons are given in the auditors' report. That is why I propose to take a few minutes discussing that aspect of the subject. That sum of \$1,770,000,000 owing by the railways to the government is made up as follows, in round figures:

Old Grand Trunk stock . . . . .	\$165,000,000
Canadian Northern Railway Stock. . . . .	100,000,000
Old Grand Trunk debentures. . . . .	15,000,000
Government advances for deficits. . . . .	324,000,000
Government loans for capital purposes. . . . .	337,000,000
Interest accrued by railways on government advances and loans. . . . .	424,000,000
Government expenditure on Canadian government railways—what is known as the Intercolonial. . . . .	404,000,000

That makes a total, again in round figures, of \$1,770,000,000.

Mr. DUFF: When was that made up to?

Mr. EULER: This is in the auditors' report of last year. I will read briefly from that report to show how they propose to deal with the matter; they indicate that the amounts I have just given are not a truly accurate reflection of the position of the Canadian National Railways, and why they propose to adjust them so that they will give a fair picture of the situation. They say:

Misconceptions of net debt and annual budget position of Canada.

We consider that we should call attention to the effect upon the public mind in Canada and elsewhere when the national system and dominion public accounts are considered on a consolidated basis. In the last two years or so we have observed a tendency on the part of many to think erroneously of the national system capital liabilities and annual deficits as being additions to the net debt and the annual budget deficits of the dominion.

[Mr. Euler.]

Then they discuss the misconceptions. I have not time to quote the report in full, but they go on to say:

Recommendations with a view to correcting misconceptions of Canada's financial position.

With a view to establishing in the public mind a fundamentally correct interpretation of the effect of the national railways finances upon the dominion public accounts we would suggest that consideration be given to the following recommendations:—

I am going to boil those down just as much as possible and discuss the items which I have placed upon Hansard, not at any great length but discarding as far as possible what I think is unnecessary for my argument.

First, with regard to the old Grand Trunk stock of \$165,000,000, the auditors would write that out completely. Why?

Because the Grand Trunk board of arbitration in 1921 declared the stock worthless and found the intrinsic property investment values to be substantially overstated on the books.

The stock is worthless, yet that amount of \$165,000,000 has been carried on the books of the Canadian National, inherited from private ownership—and let those who favour private ownership not forget that point—as a liability when it was worth absolutely nothing at the time it was turned over to the Canadian National.

Second, they would write down the second item of \$100,000,000 of Canadian Northern stock to \$18,000,000—

—taking the Canadian Northern board of arbitration findings in 1918 as a basis for the capital stock valuation and the relative effect upon property investment account at that time.

The direct cost to the government was \$10,000,000.

So there we were carrying another \$100,000,000 of liabilities of the Canadian National as owing to the government for something which actually cost the government \$10,000,000.

Third, they would write out completely the government advances for deficits—there may be some disagreement with regard to that, but I will give the report of the auditors—aggregating \$324,000,000, “because it represents nothing but a contribution by shareholders to replace their impaired capital,” just as in a private concern if money had to be placed in a private company to repair losses it would not be regarded as a debt; it would be simply replacing the capital. The report says:

This principle is already recognized in the absorption by the government—

That is the present government and I think they did right in this regard.

—of the 1932 and 1933 system deficits to the extent of \$120,266,721.26.