

The Address—Mr. Argue

tain our railway services. Reading the annual report of the C.P.R. for 1948, I do not think anyone can say that they are in financial peril. The annual report of the C.P.R. for the year ending 1948 shows current assets to be \$145,511,052 and current liabilities to be \$47,795,364, a ratio of current assets to current liabilities of a little better than three to one. Certainly that is an enviable situation. On that basis the C.P.R. is not facing financial difficulty.

At the same time the liquid position of the C.P.R. is excellent. Cash and investments in government bonds total more than \$61,435,313. Reserves and unadjusted credits were \$91 million in 1939, and by 1948 had increased to over \$492 million, an increase in reserves and unadjusted credits of more than \$400 million in the short period of nine years. That proves to me that the financial position of the C.P.R. is good, and that a legitimate case could not have been made for an increase in freight rates at this time.

I should like to quote from the bottom of page 8 and the top of page 9 of the recent judgment of the Board of Transport Commissioners for Canada as follows:

If the board accepts the railway's contention respecting depreciation—

That is a reference to the user rates of depreciation used by the C.P.R. in 1947.

—it is, in fact, projecting into the future a fixed expense, which, in respect to the intensity of use of the equipment and property in the future, may well be inflated, and thereby setting a general level of freight rates, applicable to the future, which may be higher than warranted.

On page 11 of the judgment the board, after having refused to consider the C.P.R. rates of depreciation, had this to say:

In the 21 per cent case the board reduced the \$21,230,000 depreciation estimate of the railway by \$4 million, leaving in effect a net charge to expenses of \$17,200,000. The above calculations—

That refers to calculations on the previous page.

—for the year 1947 indicate that the board could properly have reduced further the total depreciation item.

These calculations show that the board could have reduced the depreciation item by a total of \$4,467,924. The board did not allow the user rates of depreciation claimed by the C.P.R. in 1947. I now quote from the annual report of the Canadian Pacific Railway for 1948 in respect to depreciation:

Pending the outcome of studies now under way, the user rates of depreciation were raised in order to take into account increases in investment in depreciable property which have become effective since the rates were first established. This resulted in increased depreciation charges of \$6,164,075.

The board would not allow the user rates of depreciation established by the C.P.R. in

1947, and certainly they should not allow the increased user rates established in 1948, which resulted in the depreciation charge being increased by more than \$6 million. Further on in the annual report I find that the net earnings from railway operations in 1948 were \$18,419,166, a decrease of \$4,473,023 as compared with 1947. I say the only logical thing for the board to do with the 1948 balance sheet, in order to properly compare it with the 1947 balance sheet, is to add to the net earnings for 1948 the increase in depreciation, amounting to \$6,164,000. This would show the profit of the C.P.R. in 1948 from railway earnings at \$24,583,000 as compared with a profit of \$22,892,000 in 1947. So the true profits in 1948 were greater than those in 1947. Surely that does not indicate such financial need as would warrant an eight per cent horizontal increase in rates which are already discriminatory as between many parts of the country.

Then I think we would like to know the earnings of the Canadian Pacific Railway Company apart from its net railway earnings. Here I quote from page 19 of the judgment:

In the case of the Canadian Pacific Railway "other income", before providing for income tax thereon, amounted to \$27,189,949 in the year 1948, an increase of \$2,401,022 over the year 1947, \$4,410,155 over 1946 and \$12,082,992 over 1945.

So the earnings of the C.P.R. on the host of railway companies that it has leased, on its packing houses, hotels, steamship companies, telegraph companies and so on, have been going up year by year until in 1948 its earnings apart from net railway earnings were \$12 million more than in 1945. I say this proves conclusively that the C.P.R. is in an excellent financial position. Railway earnings in 1948 were higher than in 1947. Its other earnings were at an all-time high. Does the board believe that the railway companies face a loss of revenue in future? I say they do not, and here again I quote from page 19 of the judgment:

Since March 30, 1948, the revenue from the railway operations of the Canadian Pacific Railway has undergone, and is undergoing, many changes. Apart altogether from the increase in revenues resulting from the authorization in order 70425 of March 30, 1948, there have been other matters affecting the revenues of that company such as the removal of the mountain differential, increases in competitive international and special rates, increases in passenger fares, etc. More time will have to elapse in order to remove from the realm of conjecture the impact of these changes on the revenue position of the company.

The board says the future revenues of the C.P.R. are still in the realm of conjecture; in other words they may decrease or they may increase. I wonder, then, why the minister should think the railways need increased freight rates, when the judgment of the board says it is still in the realm of speculation or