

Mr. HOWE: If we accept that principle, ninety per cent of what this bill does can be achieved by making that same law retroactive. It is simply a matter of going back over the years and taking the amounts paid to the railways to cover deficits, and removing them as capital obligations. I see nothing new in the principle. It seems to me that principle was definitely accepted in 1932, and should logically be applied.

Mr. BENNETT: The minister is in error when he states that the 1932 statute makes any such provision as he suggested. The report did suggest, and the statute in terms provides, that the railway company shall not issue its securities for its deficits. That is, it shall not fund its deficits. The railway company can no longer fund its deficits. But the country has to fund the deficits and provide the money. I still say that the accounts of the company should show that the deficit was paid by the dominion government. The 1933, 1934 and 1935 reports do not show that, and I think they should have shown it. I was then of the opinion, and I still am. If the law prevented a public utility company from funding its deficits, and the public utility company could secure from the municipality the money to fund its deficits, it is quite obvious that on the books of the municipality it would show as a debt, unless in fact they had the cash in the consolidated fund of the city with which to pay. The Dominion of Canada borrowed the money with which to liquidate the deficits. The obligations are those of the country, not to the railway but of the country generally, and of those who bought securities. Out of the moneys thus obtained by the sale of the securities of the Dominion of Canada a sufficient sum was paid to the railway company to meet its deficits. It therefore follows that the railway company, which is a public utility enterprise, would owe the Dominion of Canada the amount of these deficits. No magic words can be used which will enable the company to pay its debts merely by providing that it cannot fund them. The debt is still there; it is still owed by the company to the people of Canada. The position taken that this is not a debt but new capital, and that it is really a payment by the country on account of capital obligations, would involve a complete change of the Canadian National statute, under which we operated.

Thus far the Dominion of Canada has been in exactly the position a municipality would hold with respect to a street railway owned by private enterprise. We have advanced the money to enable deficits of opera-

[Mr. Bennett.]

tion to be paid. As I pointed out, there are three deficits. There is the income deficit of \$49,000,000; there is the deficit of \$83,000,000 in the consolidated account, and the deficit of \$115,000,000 shown by the bureau of statistics. The bureau shows the Canadian Pacific deficit of \$6,000,000, in the same way, because it involved the setting aside of properties having no value. It so happens that the deferred maintenance equipment became so great, in the case of the Canadian National, that the sum of \$20,000,000 was set aside in 1935 for maintenance purposes. So that the total deficit offered by the bureau of statistics is \$115,000,000. For the same year the Canadian Pacific Railway shows one of \$6,000,000. But there the similarity ends. The \$115,000,000, the third deficit shown, represents the amount of money paid by the taxpayers of Canada to enable their enterprise, if we may call it such, to meet its obligations. The \$49,000,000 and \$115,000,000 are deficits on income. The balance represents the amount of money paid as interest by the Canadian people on the securities on which they borrowed money that they might lend it to the Canadian National Railways.

There can be no such thing as the duplication of railway and government accounts in connection with anything of that sort, any more than there is in private enterprise. If on one side you show the authority for my borrowing and on the other side you show from whom I received the money, you do not in any sense affect the facts. When the minister suggests it has nothing to do with the net debt of Canada, or any other debt of Canada, it is on the assumption that the people do not read the report. I do not think the people who lend the money to Canada are in any confusion in the matter. I have never seen any application of it, and I have had a great deal to do with it from time to time. The Canadian National accounts as audited by Touche and Company and by Clarkson in 1935 more clearly indicate the position; they show the authorization by statute for the borrowing of the money received from time to time. In every case that is set out at length; in every case the authority is given.

In the accounts of the railway there are moneys which came into their hands, from the Dominion of Canada, or from passenger or other traffic. There is the money which came from the Dominion of Canada, which borrowed the money and lent it to them. Surely no person could confuse the debts of the railways and of the country. My only difficulty is as to why we should have to set at naught