

priorities to consider. They are important. Perhaps they have some contingency attached to them. Take, for instance, the Grand Trunk Pacific issue of receiver's certificates which the Government holds. The Government also holds \$33,000,000 of first mortgage bonds. Junior to those securities and loans are these series A and B bonds. Then you may move into the relation of the capital stock. Take the Canadian Northern, and so on.

Right Hon. Mr. MEIGHEN: I know that.

Mr. MATTHEWS: If I can just make clear this one thing to the committee it will be worth while. First of all, there is the authority sought to make the write-down. Let us have no mistake about that. Then the Securities Trust comes in if that authority is secured to protect the Dominion in the future. Nobody knows just what the position of these unguaranteed securities may be in the future, and in process of time there will be a continuation of the refunding of these securities. Now, if on the books of the Canadian Northern and the Grand Trunk Pacific and the Canadian National Railways and these other companies within the System they were removed physically from those liabilities, immediately the unguaranteed securities would come up in their position in the event of any attempt for refinancing, which I think is only a reasonable safeguard. Can any gentleman of this committee imagine this Bill coming before Parliament just seeking authority to write down these debts with no provision made to secure this country against claims on the unguaranteed securities? Of course it would be indefensible. But this particular thing has been widely circulated in the press to give the impression that this Bill seeks to do something in the dark through a Securities Trust. It does nothing of the kind, sir. In the first place, it asks permission. The Minister's statement to the Committee on page 3, was as clear a statement as could possibly be made, that authority would be sought to make the write-down and then provide machinery against contingencies in the future.

Right Hon. Mr. MEIGHEN: I think it is quite clear that the Securities Trust is a matter of writing down.

Mr. MATTHEWS: It is only for the purpose of preserving priority.

Right Hon. Mr. MEIGHEN: But there will be a writing down.

Mr. MATTHEWS: But, Senator Meighen, I do think it is only fair to the Minister and those who have been criticized on this thing to point out that, first of all, clear-cut authority is asked of Parliament to do something. If that authority is received, then this Securities Trust will be instituted to preserve such priorities as exist. And it is only through that balance sheet, sir, that you can do that. Because you cannot write these liabilities out of the books of the Canadian Northern without changing the position of the Canadian Northern Quebec stock and all the other securities that are *pari passu* with them.

Hon. Mr. BLACK: Mr. Chairman, I should like to ask a question of the Minister. Suppose we adopt the system embodied in this Bill and a Securities Trust is set up, and there is a deficit in the operations of the next year or two, requiring more capital to meet it. Where would that be shown? Suppose there is a loss of \$15,000,000 next year and money must be borrowed to meet that loss. Where would that appear in the new financial structure?

Hon. Mr. HOWE: There is no change as regards that, Senator. The Canadian National-Canadian Pacific Bill provides that moneys paid by the Dominion of Canada to recoup the railway for losses in operating shall not be funded. In other words, they will be paid out of the funds of Canada to the railway as a gift. That is provided by the legislation of 1932.

Hon. Mr. DANDURAND: And we are now seeking to do retroactively the same thing as we have been doing under the Act of 1932?