

Sir HENRY THORNTON: A certain amount of this \$104,000,000 is refunded. Now, you have raised a very interesting question, Doctor, and I would like to answer it, and I can perhaps express it best in this way: in the year 1928 the gross revenues of the Canadian National Railway were—if I recall the figure correctly—\$304,000,000; the net earnings of the company, which is to say the difference between expenses and revenues—as I again recall the figure—were about \$58,000,000. Again, as I recall the figure, we earned about \$8,000,000 in excess of the interest on our funded debt in the hands of the public. If and when the gross revenues of the Canadian National become \$300,000,000—I will use the round figure—the net earnings of the company will be \$75,000,000.

Mr. MACGIBBON: Why? How do you arrive at that? How do you arrive at the increase—by decreasing your operating costs?

Sir HENRY THORNTON: By decrease in operating costs. Now, curiously enough, I was discussing this matter with some of our officers at lunch time, and I would be prepared to say that when our gross revenue returns to approximately what it was in 1928, we will be earning approximately \$20,000,000 per annum more than is necessary to meet the interest on our funded debts in the hands of the public. I should also say that when our gross revenues are, say, \$275,000,000 or nearly \$30,000,000 less than they were in 1928, we will be earning to apply on the interest in hand—on securities in the hands of the public—somewhere in the neighbourhood of sixty to sixty-five millions of dollars. The answer to your question depends entirely upon the business conditions of Canada, and the conditions that obtain in the whole world.

Mr. McGIBBON: Exactly. But there is only so much business, and the more you pile up your capital expenditure it looks as though it means the less will be your net receipts.

Sir HENRY THORNTON: I tried to explain a little while previously that I did not at all expect the increase in capital requirements to proceed on the same scale and at the same rate of increase as they have in the last eight years.

Mr. McGIBBON: Or even the present year?

Sir HENRY THORNTON: Well, perhaps the present year.

Mr. MACMILLAN: Why is it that in discussion we always hear this statement: people always talk about the volume of indebtedness of the railway in the hands of the public. Why is it that the amount of money owing to the government is never taken into consideration at all?

Sir HENRY THORNTON: The amount by which we fall short of earning the interest on securities in the hands of the public means that that represents an out of pocket expense for the government in that year. The government has got to go down into its jeans and put that much money on the table. The rest of it, to a certain extent is bookkeeping.

The committee adjourned to meet Wednesday, June 24th, at 11 o'clock.