

During the course of the investigation the railway men themselves advanced certain suggestions. To one of them I am going to refer, because it concerns the province from which I come. One man, who was supposed to be an expert in railway matters, suggested at that time that the part of the Transcontinental Railway which extends from Diamond Junction, in the province of Quebec, to the city of Moncton, in the province of New Brunswick, should be abandoned, and that the Canadian National railway via Campbellton and the Canadian Pacific line across Maine could look after the traffic so far as the Maritime Provinces were concerned. As to the line from Diamond Junction to Moncton, which was criticized so severely in this House, I may say that if it never earns another dollar it has justified its existence during the war period, because the increased volume of traffic originating in war industries in Upper Canada could not have been moved over the other two roads to the eastern ports.

It is my intention, honourable senators, not to discuss the question of the national importance of our railways, but rather to point out in my own way some features of the auditors' and directors' reports as contained in the two documents laid on the Table of this House. These reports, meagre as they are in many respects, form the basis of my statement. With little effort one can bring out information of a pleasing character. On the other hand, one might find some fault in connection with certain matters. It is not my intention to throw bricks at anybody; neither do I wish to lavish undue praise. My purpose is to point out what I find, and to present a little information which I have gleaned from the mass of figures contained in the report presented this year.

The first item that strikes one on reading the report is the statement of liabilities and assets. One finds that the liabilities of the Canadian National Railways at this time reach the tidy sum of approximately \$1,500,000,000. This is a substantial figure, though it does not bulk large when compared with the items we read about in these stirring times. These liabilities are made up as follows: there is a long-term debt outstanding which amounts to \$1,134,000,000, there are loans from the Government of Canada amounting to \$195,343,000, and there is a sum of about \$17,000,000 apparently loaned by the Government to the Canadian National Railways for working capital. In addition there are certain current liabilities amounting to \$43,000,000—a sum which does not seem very great in view of the large financial transactions of the railway—and there are deferred liabilities of about \$8,000,000, and items of unadjusted balances

due to other railways amounting to about \$45,000,000. These sums bring the gross liability of the Canadian National Railways to \$1,500,000,000 in round figures. In passing I may say that last year the liability was increased only to a very slight degree, this fact being due, of course, to the revenue derived from the transportation of war materials during the year 1941.

Having dealt with the liability of \$1,500,000,000, we naturally turn to the asset side of the account. Here we find that the assets of the Canadian National Railways amount to approximately \$2,100,000,000, the difference between the two accounts being about \$660,000,000, known as the proprietor's equity. The total of the assets is made up mainly from the valuation placed on the railway system's properties. We all know that in financial transactions one can always ascertain what is owing by any company with which one may be connected, but that it is not easy to ascertain the value of the assets. However, as I say, the assets are put down here at \$2,112,000,000, and are made up principally of properties which are valued at \$1,944,000,000. There are other assets, of course. For instance, there is a sinking fund of \$711,000, which is not a very large sum of money when we consider the liabilities and the securities that are issued against the property. How the value of the assets is arrived at, the report does not disclose, but I presume it is on a cost basis, with certain depreciation.

That completes the matter of assets and liabilities.

Hon. Mr. BALLANTYNE: Would the honourable senator—

Hon. Mr. FOSTER: This question will be open for discussion later, and I should like my honourable friend to wait until I am through. I should prefer to continue without interruption, so as not to break the continuity of my remarks.

The next matter of interest in a statement of this kind, after you have dealt with the assets and liabilities, is the matter of income and outgo. When we look at this report we find it enumerates the various sources from which income was received. It shows that operating income for the year 1941 amounted to some \$304,000,000. That is an increase of \$56,000,000 over the year 1940. The operating expenses increased by \$35,000,000. The railway, by reason of its operation, was able to pay all its outstanding fixed charges; that is to say, the interest on the debt held by the public, and interest on Government loans, and all expenses in connection with operation; and after all these were paid there was left over a cash surplus of some \$4,000,000, in comparison with a deficit of some \$16,000,000