I think, 1960, the government is also required to purchase annually from the railway preferred stock up to a percentage based on the gross earnings of the railway company, with this money to be used for capital betterments.

We are required to buy preferred stock to the equivalent of three per cent of the gross revenue of the company each year, and in 1958 the government purchased $21,875,000 worth.

Mr. McMILLAN: On which the government gets interest? That is, interest is paid on it?

Mr. SELLAR: No sir, it is preferred stock.

Mr. McMILLAN: Oh, I see, yes.

Mr. SELLAR: This is four per cent preferred stock.

Mr. CHARLTON: The government buys so much preferred stock every year.

Mr. SELLAR: Yes sir, we are obligated to do so by the statutes.

Mr. CHARLTON: Is it the assets of the company that form the basis on which the amount is taken?

Mr. SELLAR: The legislation directs that from 1952 to 1960 the government purchase at par four per cent preferred stock to an amount equal to three per cent of the gross revenue of the company.

The railway is to use the money for additions and betterments included in the capital budget. Noncumulative dividends are to be paid to the extent that the earnings are available after payment of:

(a) Interest on securities held by the public.

(b) Interest on indebtedness to the government.

(c) Taxes under the Income Tax Act.

Mr. CHARLTON: Does the railway pay that four per cent back to the government on the amount of preferred stock, as interest?

Mr. SELLAR: It pays it when it has the money.

Mr. McGREGOR: When it needs the money, it borrows it from the government?

Mr. SELLAR: No, it is subscribed by the government as a capital subscription.

Mr. McGREGOR: That is all shown in the loan for that year to the railway?

Mr. SELLAR: No, the government will set it up as an asset.

Mr. BELL (*Carleton*): Are they cumulative preferred shares?

Mr. SELLAR: I think so.

Mr. CHARLTON: Are there increased assets to cover them in the company?

Mr. SELLAR: No, it is just preferred stock of the company, but the money is earmarked for betterments that are in the capital budget and approved by the house of commons.

Mr. CHARLTON: Would there not be an increase in the assets of the company?

Mr. SELLAR: Yes. I thought what you meant was whether specific assets were earmarked as security for the stock.

The CHAIRMAN: Is there anything else, gentlemen? Paragraph 10.

> 10. A detailed listing of the 1957-58 Return on Investments items is given in Appendix 3 to Part I of the Public Accounts, therefore a few comparisons only are now made. The Bank of Canada Act requires the Bank to surrender its surplus annually to the Receiver General and the surplus exceeded by $21,400,000 that of the previous year (though the total amount received from the Bank was $21,200,000 less, because of the special transaction referred to in the preceding paragraph). Central Mortgage and Housing Corporation is also required, by section