

Right Hon. Mr. MEIGHEN: Does the Act which permits the funding of deficits enjoin the accountants against having the deficits appear at all?

Mr. VARCOE: Does it practically wipe out the liability?

Hon. Mr. COTE: That is my question. I think it is very important.

The CHAIRMAN: I think it is sufficiently important, Senator Cote, for you to put in writing and hand to the Justice Department.

Hon. Mr. COTE: That would be side-tracking it.

The CHAIRMAN: I am not a lawyer and do not know what you mean.

Hon. Mr. COTE: Since 1932 these deficits have not been shown in the balance sheet of the Canadian National. The authority for not showing those deficits in the balance sheet is exactly the section that I am making my inquiry about.

Hon. Mr. DANDURAND: Does that involve a question of policy or of interpretation?

Hon. Mr. COTE: It is not a question of policy, it is a question of straight interpretation of the Act. An accountant who certifies that the balance sheet is a true statement of the finances of the company must have the law to back up his statement.

Hon. Mr. HOWE: This is the Appropriation Act passed each year as part of the Financial Bill of Canada:—

Amount required to provide for payment to the Canadian National Railway Company of the net income deficit, including profit and loss, incurred by the system during the year 1934, as certified to by the auditors in the annual report of the company but exclusive of all non-cash items, including interest on Dominion Government advances, as further certified to by the auditors and approved by the Minister of Railways and Canals; this payment to be applied in reduction of accountable advances made to the company from the Consolidated Revenue Fund under authority of the Canadian National Railways Financing Act, 1934—

That is, it states definitely that the payment from the Government is to be applied in reduction of accountable advances. In other words, the Government advances this money throughout the year, and they are to be reduced by the amount of the deficit payment. That is the law, and I do not think you need much interpretation. The Act says definitely it is to be done in that way.

Mr. MATTHEWS: Furthermore, you ask why the auditors certify the figures on this basis. They do not certify them on the basis of the Canadian National-Canadian Pacific Act, but on the basis of the legislation each year which limits the borrowing powers of the railways for capital purposes.

Hon. Mr. COTÉ: Pardon my misunderstanding the situation. I thought you yourself justified elimination of the deficits on the basis of the Canadian Northern-Canadian Pacific Act.

Mr. MATTHEWS: I quoted that to show the Minister of Finance had recognized that his Government was implementing that legislation; but I did not say that was the basis for certifying the accounts.

The Committee adjourned at 1 p.m. to resume after the Senate rises this afternoon.