

is to be incorporated and organized. Is that corporation to be incorporated by the express terms of section 12? If so, I think it should be stated distinctly. The mere declaration that there shall be a corporation to be known as the Canadian National Railways Securities Trust does not give legal incorporation to such a trust, nor does it provide for the organization of the trust. Therefore, I think the wording of this section should be considered carefully if we are now constituting a separate distinct corporation. May I discuss other sections of the bill in order to make my meaning clear, or am I confined to this section?

Mr. HOWE: Certainly.

Mr. CAHAN: When this corporation is once organized it is to take over certain claims and certain collateral securities. In other words, I infer that after the corporation is incorporated and organized, certain claims for principal of loans, as set forth in appendix 6, certain claims for interest on loans as set forth in the same appendix, and certain collateral securities are to be assigned to the corporation. Is it intended that this statute shall vest these claims and these securities in the corporation which is contemplated? In compensation, the five million shares of no-par value stock are to be issued and become the liability of this proposed corporation?

Then it is suggested that these shares, or the securities which underlie these shares and which are vested in the corporation, shall be valued by the statute. I suggest that that is not the proper procedure. Appendix 6, to be found on page 15A, states that the 5,000,000 shares of no-par value stock are to be outstanding. The initial value is stated as the total amount of loans to the railways by the government and transferred from the government to the securities trust—by this statute or by separate transfer, I do not know—\$643,860,558.26. There is deducted the amount lost by the railways in operation, \$373,823,120.38, leaving a net value of \$270,037,437.88. Then there is an acquisition surplus, amounting to \$904,655,718.05. That is, by this statute, or by a separate transfer and conveyance, certain assets which are now not regarded as being valuable, certain claims in respect of Canadian Northern, Grand Trunk, Grand Trunk Pacific and Canadian National, amounting to \$643,860,558.26, are to be transferred. Then certain claims for interest on loans in Canadian National Railways accounts, et cetera, are to be transferred to the extent of \$530,832,597.67. Then there are certain claims for interest on loans which are not in the Canadian National Railways

account. Will these assets have any distinct value or are these values being placed upon them merely for the purpose of fictitious accounting? Are the liabilities being reduced?

Of course the capital stock is a liability when it is outstanding, but it has no par value. It might as well be a thousand shares or a hundred shares. The initial value is stated, less the amount lost by the railways in operation, to be \$270,037,437.88. I contend that if a public or private company which was in financial difficulties were to transfer to another company, organized and controlled by it, all these claims and to offset them with capital stock, declaring a value for such stock which has really no value, it would be regarded as purely fictitious accounting. In other words, I am suggesting that the same object could be attained without organizing a fictitious or factitious company. It could be attained by placing in a branch account or a subsidiary account of the Canadian National Railways these claims which are not valued, and these assets which are valued but which really represent a loss or which represent no present value. Why should a new corporation be constituted for the purpose of carrying through a mere matter of nominal bookkeeping? Would it not be far better to reduce the value of your assets and of your liabilities, recite that the Minister of Finance of Canada has certain claims of no value and certain assets of no value, and state that in some subsidiary account of the Canadian National Railway, without going through all this form of organizing a fictitious company? The explanation is that:

The securities trust is established for the sole purpose of preserving the priority rights of the dominion and for its protection against any contingencies of the future having to do with potential interest and other savings in respect of

(a) unguaranteed securities held by the public and ranking junior to or *pari passu* with present dominion loan claims;

(b) capital stock held by the public in subsidiary companies;

(c) collateral securities now in possession of the dominion ranking senior to or *pari passu* with securities held by the public.

The same end would be fully attained if these securities, instead of being vested in this corporation and controlled by these trustees, were to be vested in the finance minister of Canada. He may not be aware of the fact, but certain other claims arising out of the war which were administered by the Department of the Secretary of State, were transferred under an order in council to the finance minister, and the finance minister by virtue of his office owns and controls