

Now I come to the arguments of the Minister of Finance for the proposal. He says, first, that everyone who has had anything to do with the railway, as president or auditor or investigator, has recommended that this revision be made. That is going too far. There is no recommendation on the part of any single one of them that this be done. It has been recommended that there be a writing down, that a real effort be made to remodel the balance sheet so as to reflect more faithfully the actual position of the company. Sir Joseph Flavelle wrote me in August, 1921. It may be that I was not as impressed with his appeal as I should have been. I should perhaps have realized that he knew more about those things than I did. But at that time I could not see any practical object to be served by what was proposed. And Sir Joseph Flavelle's views, too, matured later on. He was one of the main members of the Duff-Flavelle Commission of 1931, which made a recommendation. I have so much respect for that commission and so high an appreciation of the thoroughness with which its members studied the whole position that I should be disposed to accept that recommendation to its full extent. I should not like to take the responsibility of placing my judgment against that arrived at by men of such calibre after the study they made.

But I know this Bill goes a great deal farther than any recommendation made by Sir Joseph Flavelle in 1921 or by the Duff-Flavelle Commission in 1932. What is proposed here may be recommended by accountants, but that does not weigh in my mind at all. If this proposal were adopted the situation would then probably be simpler from the accountants' standpoint; but we must judge the situation from the standpoint not of accountants, but of Canadian taxpayers, and from the standpoint of taxpayers one thing is definitely demanded: that the balance sheet show the real situation, reveal all the money which has been put into the railway and remains owing to the country. If something was contributed in any other form than money, it should be shown at its real, not a fictitious value. That is the only form of remodelling which I think should be adopted.

For years the railway had deficits. In reality it has never had anything else. Those were sometimes met by treasury moneys handed over, so far as they were cash deficits. At other times they were funded by the railway in the form of bonds. The amount of deficits is fairly known, and up to 1927, I think, all those deficits appeared in the railway's books. Then, for some cause of which I am not aware, what is described as deficit

on the eastern lines ceased to be inserted at all. It seemed to be regarded as in the same position as the 20 per cent which the Government paid because of the Duncan award. Since 1933, I understand, no deficits at all have appeared, even though the money was supplied. This Bill does not provide for the appearance of those deficits; on the contrary, it provides that never more shall they be shown. Why is that? The amounts represent real money which the railway owes. Perhaps they should not be funded. I understand the Duff Commission recommended that they should not be funded and interest should not be charged upon them. Very well, but why should they not be shown?

The country has advanced capital to the railway in tremendous amounts. The actual capital advance, I think, is the amount which is intended to be wrapped into these sweepings and held by "The Canadian National Railways Securities Trust" at \$690,000,000. On that capital the railway has always owed us interest, the accumulated amount of which now aggregates about \$495,000,000. We have to pay interest on the money. This sum of \$690,000,000 is now to go into the Securities Trust in this way. The Minister of Finance sits in possession of the demand notes and other forms of obligation of the Canadian National Railways and its subsidiaries. The whole list of these obligations is given in appendices attached to the Bill. The Minister is in possession of them as trustee for the Dominion of Canada. He is going to assign them to a company called the Canadian National Railways Securities Trust, and he will hold all the issued stock of that company in lieu of the asset he is turning over to it. That asset of \$690,000,000 will appear in the books of the Canadian National Railways' new set-up, as we call it, as proprietor's equity, held in the name of this Securities Trust.

Honourable senators will realize at once that that Securities Trust will be a wholly-owned subsidiary of the Dominion of Canada. Likewise the Canadian National is a wholly-owned subsidiary, subject to its indebtedness. Why is this Securities Trust to be created? The honourable gentleman (Hon. Mr. Dandurand) says it is to be created in order that the Government may hold its priorities in respect of those obligations which are now in the name of the Minister of Finance and are the property of the Dominion. The Minister wants to hold the priorities and at the same time to reduce the capital; so he will put the obligations in the name of the Securities Trust at reduced values, and these lower figures will appear in the balance sheet.

Right Hon. Mr. MEIGHEN.