

For all of these reasons I think it inadvisable to bring this very complicated question before the next session of parliament.

Yours sincerely,

(Sgd.) H. W. Thornton.

Now that I have mentioned the figures, the magnitude of the whole railway problem will be readily appreciated by anyone. It is easily seen that the whole financial structure of the country is impinged upon and even endangered by the immensity of the figures of this Canadian National debt. That is particularly well seen if one would remember that it was not until 1900 that the figure of \$50,000,000 was reached in the whole revenues of the Dominion of Canada. This whole question is still more complicated at the present time by virtue of the fact that two-thirds of the interest on this Canadian National Railway debt is owing in the United States, and because of the premium upon United States funds in the last three or four months of last year, it cost the Canadian National Railways something like \$1,000,000 to \$1,250,000 in premiums on United States funds in paying the interest which they paid in that country. In future, as regards loans, including this equipment loan which I have mentioned, the money will have to be raised altogether in Canada until the premium on United States funds is either wiped out, or until our money reaches more to a level with that of the United States than has been the case for the last few months. What makes the situation more difficult is the fact that in 1931 the revenues of the Canadian National Railways were below those of any year since 1919. Yet, if you look at the interest owing by the Canadian National, it has increased between 1919 and 1931 from \$28,000,000 to \$57,000,000, or an increase of about \$29,000,000. Even, therefore, without government interest of any kind, and with an allowance being made for the difference in deficit or profit in the two years, 1931 was worse than 1919 by \$14,000,000. Even if you take the peak year of 1928, when the Canadian National Railways earned more than they ever did in any other year of their history, that year would have been short of interest to the public in 1931 by something like \$3,000,000, and besides that there would have been nothing for reserve fund or for any other needs.

When we came into power in August, 1930, we found the condition which I have described, not quite as serious as that of 1931, but getting towards it. The revenues were dropping ominously, and the interest charges were increasing. The revenues dropped from 1928 to 1930 by \$54,000,000, and as we were not

in power until the last four months of 1930, we naturally could not in any way be criticized for that. I might add that in the last two months, January and February, 1932, the Canadian National Railways were not earning operating expenses. What made the situation worse was the fact that when we came into power in the beginning of August, 1930, there were railway committals amounting to \$158,000,000, over which in a general way, we had no control whatever. That amount was a balance of committals made in the previous year, 1929, when a series of committals amounting in all to \$270,000,000 was made, including temporary finances, budget, maritime freight rates, branch lines, terminals, railway purchases, equipment and refunding, the refunding amounting to \$9,000,000. I have named just some of the outstanding items. The federal net debt before the war was only \$336,000,000, so that a series of committals amounting to \$270,000,000 in one year naturally made the Canadian National Railway picture a pretty serious one. As one of my colleagues suggests, of course these committals had to be approved by the government of the day. The condition we found being as I have described it, it seemed to me as Minister of Railways that the facts had to be told to the public, because our role was the unpopular one of showing the Canadian National Railways that we felt every reasonable economy should be practised in the operating of that road. That was our duty not only as a trustee of the people of Canada, indeed, as a trustee of the Canadian National Railway itself, but as friends of the road and as loyal Canadians. It seems to me that when the Canadian National Railway attains the position where it will not need to ask for either cash or guarantees from the people of this country, then, and not till then, should the parliament of Canada fail to examine carefully all the expenditures of the road. Therefore we insisted at that time that the road must be run as economically as possible, remembering always that the efficiency of the road must not be impaired. That was a necessary duty for the self-preservation of the Canadian people, of the Canadian government, and of the financial position of this country and the railway itself.

The details of the economies to be effected were left largely to the management themselves, and they cooperated. We appointed a new board of directors, and I wish to pay them the compliment of acknowledging their cooperation with the management and with ourselves in doing everything that could be done to see that these immense yearly ad-