

The work of studying the financial set-up—that, during the current year, definite proposals having for their object the placing of the company's finances on a sound and permanent basis will be presented.

That is what was done in 1923, 1924 and 1925. I am pointing out merely that Sir Henry Thornton made the suggestion to the late government, and followed up his suggestion by submitting in 1928 or 1929—I am not quite sure of the date, because I did not have time to look into the report—to the late government, at least a year or perhaps two before they left office, a suggested change in the financial set-up. If I remember correctly—and I must say I read the report a couple of years ago, and have not seen it since—he suggested in that report which was prepared by Mr. Gaston, the \$62,000-per-year man, who was brought across to study the situation, if for anything, that the government of the day should wipe out something like \$700,000,000 of the government liabilities of the Canadian National Railways.

However, I make reference to these points to-day to show that this is not a new question. The government of that day, feeling that it was an important matter—and I am not criticizing them—did not choose at that time to act upon the report of Mr. Gaston and Sir Henry Thornton. Then, I received a letter from Sir Henry Thornton written in February, 1931, the first year after this government took office, and in it Sir Henry stated that he did not think at that time we would be warranted in dealing with that question. He said it was much too important a question to deal with at that time and—I am attempting to give the gist of it—he believed that due to the depressed condition of business, and for other reasons, it would be better to leave the matter over until a later date. In general, that is the whole history of the matter. I repeat that the late government did not see fit to make any change and so far this government has not seen fit to make a change. As a matter of fact legislation would be necessary to effect such a change. We would have to have the authority of the house to wipe out some of the stocks, and so on. In view of the fact that it does not make one particle of difference to the earnings of the Canadian National Railways, it is not in my view a live question, at all.

I do not understand—and I make this observation sincerely—all the excitement which has crept into some of the articles one may see written by private individuals and by editorial writers regarding the necessity for the Canadian National Railways to refinance, or to

[Mr. Manion.]

change the capital setup. I pointed out only a few days ago, when we were discussing a resolution offered by the hon. member for North Vancouver. (Mr. Munn) that unless we wiped out nearly \$1,500,000,000 charged up on the books of the company, and in addition charged up to the people of Canada some of the bonded indebtedness owing to the bondholders in the United States, England and Canada, you would achieve nothing. Since not one cent of any of the government debt has been paid back, and not one cent of interest has been paid upon it, and since the Canadian people are to-day paying nearly all of the interest owing by the Canadian National Railways to bondholders, there is no method in the world at the moment whereby by writing down the capitalization of the Canadian National Railways you would better, even to the extent of one cent, the position of Canadian National Railways.

Therefore I say that the question is not a live one, and never has been a live one. It is quite untrue to say that it would have any effect upon the Canadian National Railways, or their earning power, in any shape or form. Sometimes the claim is made that it would have a beneficial effect upon the morale of the management and the men. Frankly speaking, I believe the morale of the management and men is excellent to-day. With the exception of certain extravagances with which I have already dealt, I believe the morale of the men was just as good in the past. I do not believe their morale has been affected to any degree by the question of recapitalization. For that reason I submit in view of the fact the matter has been dealt with so elaborately in past years the question of recapitalization is not sufficient to warrant us considering dropping Touche and Company, and I say to the house that that side of the matter never entered the head of any member of the government, so far as I know, and was not considered in any shape or form when the suggestion was made last year to deal with their report.

In a few minutes—and I shall not be long—I shall deal with their report of last year. The hon. member for North Waterloo (Mr. Euler) and other members who sat on the committee will remember that during the sittings of the special railway committee of last year we had before us first the report of the trustees and secondly the report of the auditors. The report of the trustees was considered. The report of the auditors which recommended cutting down the government debts of the Canadian National Railways we also considered. We discussed those matters