

difficulty in securing immediate relief in an acute situation through fresh borrowings from Great Britain and the United States. I would refer hon. members to the report, paragraph XII, page 31 in regard to this matter. This situation, so graphically described by the commission, is in itself sufficient justification for our beginning at once a wise stock taking.

But there are other reasons. It is a well known fact that the demands of the Canadian National Railways upon the federal treasury have created a financial problem which have been the cause of an increase in taxation.

The resolution, in my opinion, is a step in the right direction and will permit of a better solution of present difficulties. By way of further justification of the resolution I would again refer to the report, for it clearly indicates "the excessive capital liabilities in relation to the earning power of the system should be to an amount which would nearly approximate the earning power of the railway."

Without labouring the question by quoting facts and figures, I would direct the attention of hon. members to paragraphs VIII, IX and X, pages 27 to 30 of the report, wherein will be found facts the seriousness of which will convince the reader that now is the opportune time to direct the attention of the board of trustees to the fact that now is not too soon to take stock and put into operation a rigid course of assessment by revaluation of what, in my humble opinion, is a national asset which, if properly and judiciously managed, may become of infinite worth to the people of this far-flung dominion. To the members of this house as representatives of the people, as custodians of the system, in fairness to all concerned, the board of trustees, the bondholders and employees, but above all to the people as taxpayers and owners, this resolution is submitted in the hope that it may receive favourable consideration.

I do not know just what attitude the government intends taking in connection with this matter. As I said before, it is purely a business proposition and not by any means a political move, and some action should be taken in the very near future. I move the adoption of the resolution.

Mr. G. B. NICHOLSON (East Algoma): Mr. Speaker, with the general principle of revising the capitalization of the Canadian National Railways I am in complete accord and have been from the time the railways were absorbed by the Canadian people and consolidated into the national system. But the basis upon which the majority of the

advocates of recapitalization base their argument is fair neither to the Canadian people nor to the railway system of this country. As a rule the argument advanced—and I was not quite able to follow my hon. friend in the plan that he would suggest—is that the capitalization of all the railways as they stand to-day is attributable to the moneys that were spent on them before the Canadian people became the actual owners and operators of them. It is with that view that I entirely disagree. I maintain and have maintained, as a matter of fact I urged at the time the bill to consolidate the railways was before the house in the first instance, that the capitalization as it then existed of all the several lines should have been written down to the place where the actual value of the lines as they stood at that time would represent the amount of capital on which we expected them to earn a return. But to take the capitalization as it is to-day after the Canadian people have been responsible for spending on that railway enormous sums of money from which no return can ever be expected, is not presenting to our people a fair picture of the railway situation.

It might be interesting again to put into the records of the house what the capitalization was when the railways were taken over. Beginning with the original government railway, the Intercolonial, as it stood in 1919 when the bill was passed, the capital charge was \$137,000,000 odd. Having regard to the character of the line, its physical condition and equipment, this was a fair and reasonable valuation; anything that has been added since has been added by the deliberate action of the parliament of Canada and is properly applicable as a charge against the railway line, because the Canadian parliament has been and still is responsible for the manner in which the line has been operated.

We come next to the National Transcontinental which was built from Moncton to Winnipeg by the people of Canada themselves at a cost of around \$173,000,000. Properly, that is itself a charge against the railways. But the money that was wasted by the people of Canada in the construction of that line is not a proper charge, and before I conclude I shall give the amount that should have been written off at the time in order that the Transcontinental in its physical condition would represent a proper ratio of capital charge in proportion to the value of the property.

The next is the Canadian Northern Railway, the 10,000 odd miles that were taken over in 1919 at a capital cost to Canada of