

Supply—Railways—C.N.R.

Of the operators of the Canadian National railway miracles should not be demanded. They cannot be expected to make surpluses sufficient to pay interest charges upon the present combined capitalization of the system. Faced with the certainty that every year there will be a huge deficit the directors of the system will inevitably get into the frame of mind which finds expression in the phrase: "What's the use?" If there's bound to be a deficit anyway, why worry whether it is ten or twenty million dollars.

But, given a just valuation of the road, the directors can be told that they must meet the fixed charges or make way for others who can. They will have a target to aim at and they will be expected to hit it. This will be much more exhilarating and inspiring than shooting arrows into a box.

We have plenty of precedent for such action. The whole capitalization of the Canadian Government railways—that is, what are called in the statement the Canadian Government railways, the Intercolonial, the Transcontinental and the Prince Edward Island railway—has been wiped off and charged up to the public debt. I notice also that an item of \$2,394,000 spent on the Canadian Pacific between Ottawa and Quebec was transferred to the public debt in 1898. I think the minister would do well to give this matter serious consideration.

Mr. GRAHAM: It is a large question, of course. I imagine that the government, if it thought wise, could perhaps deal with the securities held by itself, although that would not relieve the financial obligation of the country at all, but the securities in the hands of the public would have to remain and the liability be held sacred.

Mr. SHAW: After listening to the minister last night and to the discussion which then took place I have been trying to ascertain the situation in connection with this Paris transaction. I presume the minister will not deny that there must be somewhere in the statutes authority conferred upon the president or the board of directors of the Canadian National Railways to enter into a transaction of this character? I should like him, in the first place, to refer me to the section in the act which confers authority upon the president of the railway or upon the board of directors; secondly, I would like to know exactly what the position is in regard to that \$2,000,000 transaction. Is it out of the control now of the National Railways and out of the control of Sir Henry Thornton? Has the money been paid over? What is the situation?

Mr. GRAHAM: I explained that fully last night, but I will explain it again. The building was required, so the president of the board considered. In his judgment the transaction would have to take place very quickly or the opportunity would be lost. The Canadian

[Mr. Campbell.]

National Railways financed this gentleman in Paris to get possession of the building. The money was deposited in the Bank of Toronto, just as money in like cases has been deposited by other governments for other purposes; and that deposit in the Bank of Toronto allowed the man in Paris to finance the building. In other words, the Canadian National for the time being financed the transaction in order to get control of this building. And they took a mortgage, I am told, in the London office, to protect themselves.

Mr. SHAW: A mortgage from whom?

Mr. GRAHAM: I have mentioned that three or four times already. I do not think my hon. friend can pronounce the name when I say it—Aronovici.

Mr. SHAW: I confess that I find difficulty in understanding the situation. Why take a mortgage? Why should not the title have been taken in the name of the Canadian National Railways? Why take a mortgage in favour of the Canadian National Railways?

Mr. GRAHAM: I see what my hon. friend is at now. As I understand it, the board did not intend to retain possession of this building. However, I see what my hon. friend is after. He will pardon me, I hope, if I cannot grasp these legal niceties as quickly as legal gentlemen can. But if that had been done I know he would probably have risen immediately and said there had been a violation of the act of 1919 in that the Canadian National is not empowered to build or extend lines or to make any extended capital expenditure without an order in council. The property was not bought in the name of the Canadian National Railways, but in the name of this gentleman whose name I have tried to pronounce, who was financed, temporarily only, by the Governor in Council.

Mr. SHAW: Then I take it, from what the minister says, that the title to the property does stand in the name of Aronovici, and the mortgage is with the Canadian National Railways?

Mr. GRAHAM: That is as I understand it.

Mr. SHAW: For the full amount of the sum advanced?

Mr. GRAHAM: Yes.

Mr. SHAW: I would like to ask the minister if he can point to the section of the act which authorizes a transaction of this character?