

The ACTING CHAIRMAN: Clause 3.

Mr. RYAN: Was there a similar section to this last year?

The ACTING CHAIRMAN: It is the same as last year.

Mr. ELLIOTT: Is the method the same as has been in effect during previous years?

Hon. Mr. HOWE: Yes. Under the Canadian National-Canadian Pacific Act it is required that all capital expenditures shall receive the approval of parliament and also all refunding operations; and this is the bill that has been passed pursuant to that Act to give the necessary authority.

(Item agreed to).

The ACTING CHAIRMAN: Clause 4.

Mr. WALSH: What is the significance of clause 4 in regard to aiding and assisting other companies?

Hon. Mr. HOWE: The Canadian National, as has been said in connection with the capitalization bill, has no direct ownership of the Canadian Northern railway; neither has it any direct ownership of the Intercolonial railway; and all the financing of those two railways is done through the Canadian National Railway. Without this clause the Canadian National Railway could hardly spend anything on a railway over which it has no ownership.

Mr. WALSH: That clause will be eliminated next year.

Hon. Mr. HOWE: Yes, I think so.

Mr. HEAPS: This is the bill we have had before us in other years.

Hon. Mr. HOWE: It is exactly the same.

(Item agreed to).

The ACTING CHAIRMAN: Clause 5.

Mr. WALSH: What is the inference there?

Hon. Mr. HOWE: It allows the government to guarantee the funds under section 2 of the act. Section 2 authorizes certain refunding and funding of new capital obligations.

Mr. WALSH: This bill deals altogether with capital requirements, not ordinary requirements.

Hon. Mr. HOWE: Not the deficit, no; that is in the budget.

(Item agreed to).

The ACTING CHAIRMAN: Clause 6.

Mr. WALSH: What is the reference? "The guarantee or guarantees may be in such forms and subject to such terms and conditions. . . ." and so on.

Hon. Mr. HOWE: That has to do with clause 5. Clause 5 allows the government to guarantee, and clause 6 sets out the form of guarantee that may be used.

(Item agreed to).

The ACTING CHAIRMAN: Clause 7.

Mr. WALSH: All these amounts are charged against the consolidated fund of Canada directly.

Hon. Mr. HOWE: No, not at all. The bonds are private.

Mr. WALSH: The money is borrowed by the Minister of Finance.

Hon. Mr. HOWE: No. It is borrowed by the Canadian National Railways and guaranteed by the government.

Mr. WALSH: And the Canadian National Railway assumes responsibility for the interest.

Hon. Mr. HOWE: That is right.

Mr. WALSH: And for the repayment.