

Mr. BENNETT: An entirely different thing.

Mr. DUNNING: A different route.

Mr. BENNETT: No. It is done in an entirely different way. In the United States the Interstate Commerce Commission calls for depreciation of the physical structure; and the minister pointed out the other day that the Grand Trunk Western has depreciated physically—that is, the road bed and structures.

Mr. DUNNING: Under that law.

Mr. BENNETT: Under the interstate commerce law. In this country we have had no such thing as depreciation, because in the early days of the Canadian Pacific they used to replace every car that went out of existence with a new car and charge it to revenue. That is the way they kept up equipment. On the question of the physical structure there never was such a thing as deferred maintenance. For instance, when they put in any new capital structure—when, for example, they substituted stone for earth ballast—it was not charged to any additional capital but was taken care of out of earnings. That has passed, because the Canadian Pacific Railway Company have no longer surplus funds enabling them to do that.

Mr. DUNNING: The fat is exhausted.

Mr. BENNETT: Exactly. The Australian commission reported that their proper allowance for depreciation was so many pounds, and in Victoria and Queensland—I cannot speak from memory as to New South Wales—the appropriations were made by the government of the day, as they owned the railroads, assuming, as they wrote down the capital structure, the direct responsibility for the money.

Mr. HOWE: This is clause 4 of an act to make provision with respect to the adjustment of the finances of the state of Victoria in relation to railways and for other purposes:

4. (1) On the first day of July one thousand nine hundred and thirty-seven the railway loan liability shall be reduced by the sum of thirty million pounds.

(2) On from and after the said day there shall be established and kept in the treasury an account to be called the "reduction of railway loan liability account" to the debit of which account there shall on the said day be placed the said sum of thirty million pounds, being the sum by which the railway loan liability is reduced as aforesaid.

5. (1) In the financial year beginning on the first day of July one thousand nine hundred and thirty-seven and in every subsequent financial year, in any accounts or dissection of accounts prepared issued or published by the

[Mr. Dunning.]

treasurer of Victoria there shall be charged against the Victorian railways commissioners all amounts paid by the treasurer of Victoria in any such year in respect of interest sinking fund payments and exchange (including expenditure incurred in connection with the payment thereof) in respect of the adjusted railway loan liability.

(2) In this section "adjusted railway loan liability" means the railway loan liability together with—

(a) the amount of all stock and debentures issued by the governor in council and in force in respect of loans raised for railway purposes by the government of the state of Victoria on or after the first day of July one thousand nine hundred and thirty-six; and

(b) all sums issued and applied on or after the said day under any Railway Loan Application Act out of any moneys in the state loans repayment fund—

but less the sum of thirty million pounds aforesaid.

In other words they simply took £30,000,000 out of the capital of that railway and carried it in the public accounts. It has gone completely.

Mr. BENNETT: Carried it as a direct liability of the state.

Mr. DUNNING: Part of the consolidated fund.

Mr. BENNETT: The words used are "the treasury."

Mr. HOWE: The situation in Victoria is a little different from ours in that there is no public debt against the railways. The write-off of £30,000,000 in connection with that railway is not out of proportion to the write-off we are proposing here.

Mr. BENNETT: It is carefully pointed out that a record of it is to be kept in the treasury, separate from the state.

Mr. HOWE: That is what we propose to do.

Mr. BENNETT: They do not eliminate the record of it in the railway accounts, but they say "You shall show the railway companies less the thirty millions." The last words the minister read indicated that it was "less the £30,000,000 aforesaid," namely, the amount allowed for depreciation of the property. Shortly put, the Victoria situation is not unlike our own. The railways have not earned their way; they are owned entirely by the state, and the accounts, I am sure, merely show the sources from which the money has come, each one separate—1866, 1879, 1890, so and so, so many pounds. Now, owing to there being no allowance for depreciation they wrote off £30,000,000. The