

Further, the railway is authorized to use the reserves which have been set aside for depreciation and debt discount amortization toward meeting all of the expenditures as set out in clause 3 of this bill.

Finally, with respect to the issuing of securities, honourable senators will note that in subclause 3 of clause 4 the railway is limited to \$76,800,000, less the amount which the company may receive during the period of January 1, 1961 to June 30, 1962 from the sale to the Minister of Finance of preferred stock of the company. If honourable senators will be kind enough to look at the explanatory notes opposite page 3 of the bill they will find an itemized statement set out of the items which go to make up the sum of \$76,800,000.

The bill contains the usual clause with respect to guarantees which are to be provided by the Government and also sets out the manner in which moneys realized from the sale of securities shall be handled and administered by the company.

Other clauses in the bill provide the railway with the usual powers and set out the administrative procedures which are necessary. For example, the railway company has power to assist any other company in the system such as hotel companies, Grand Trunk Western lines and other branch lines.

Other clauses deal with the matter of financial transactions which during the next year will take place between the Minister of Finance and the company, including the right of the Minister of Finance to advance moneys from time to time to the railroad in order to cover deficits. A similar power is given to the minister with respect to any deficits which might occur in connection with the operation of Trans-Canada Air Lines.

The last clause to which I propose to make reference is clause 14. Honourable senators will note that by this clause J. A. de Lalanne, a chartered accountant carrying on business in the city of Montreal, is appointed as independent auditor to make a continuous audit of the accounts of the railway company for the year 1962. This appointment does not expire until the 31st of December 1962. I understand this is the usual practice and that all previous bills have contained a similar clause.

**Hon. A. K. Hugessen:** Honourable senators, I am sure we are all indebted to my honourable friend from Cape Breton (Hon. Mr. Macdonald) for his explanation of this bill. I think, as he says, that it embodies all the usual provisions that are contained in the annual Canadian National Railways financial bill which this house is accustomed to receive toward the end of each session.

The bill sets out in fairly detailed form the amount of capital which the railway

company desires authorization to spend, not only for the current year but also what one might call an advance on account of capital expenditures to be made during the first six months of 1962.

The totals to be spent during the current year, divided into various subcategories and including, as is usually done, the expenditures expected to be made by the Trans-Canada Air Lines, represent the substantial total of \$162,900,000. In addition to that authorization, there is sought, as I said a moment ago, a sort of preliminary authorization for expenditures during the first six months of 1962, to a total of \$76 million, making a total in all for the year and a half of \$238,900,000.

Of course, there are to be deducted, as always, some very substantial amounts that the company takes out of its revenues by way of depreciation accruals during the year, which amounts are taken out of the actual earnings of the road. The amount which it is suggested will be received by the company in that respect from depreciation accruals and which will be applicable against capital expenditures for this 18-month period that I mentioned is \$162,100,000, so the net amount of expenditures for which authorization is now asked is \$76,800,000.

We are accustomed to getting requests from the Canadian National Railways each year for these very substantial amounts of capital expenditure. With a railway system so extensive and so all-embracing throughout the country as is the Canadian National, and bearing in mind that the railway must always be kept up to a certain standard and that capital improvements are from time to time abundantly necessary, we can quite well understand why capital amounts of this magnitude are required. I would suggest, however, that it is perhaps a little disappointing that these capital requirements do not become more moderate as the years go on. I mention this because of the fact—I think it is a fact—that the very large capital expenditures required during these past few years have been to build the railway up to a modern first-rate standard of operation. There were two specific improvements which have in large part now been completed. I refer first of all to the locomotive dieselization program, which honourable senators know is now entire and complete; and secondly, the provision of the new hump yards in various of our principal cities for the expedition of freight cars by the most modern and quickest methods.

We were told in years past that these requirements were necessary to bring the railway up to a first-rate standard. Now that these expenditures are very largely finished—the dieselization, as I said, is already completed; the Moncton hump yard is complete,