

the other hon. members are willing to do so; if they are not of course I shall have to vote for the motion.

Amendment agreed to.

Motion as amended agreed to.

## CANADIAN NATIONAL RAILWAYS

### PROPOSED CONSIDERATION OF CAPITAL STRUCTURE BY BOARD OF TRUSTEES

Mr. A. E. MUNN (Vancouver North) moved:

Whereas, the attention of this house has been drawn by the Royal Commission to inquire into railways and transportation in Canada to the urgent necessity which exists for an early consideration of the capital structure of the Canadian railways (vide section 84-87 of that report), and

Whereas, that commission recognized that a very substantial part of the money invested in the railways comprised within the Canadian National System must be regarded as lost and that its capital liabilities should be heavily written down although the said royal commission did not deem the time opportune when making the said royal report to deal with this important matter but suggested that the same receive early consideration by the board of trustees, and

Whereas, a board of trustees has been appointed by the government:

Therefore be it resolved, that, in the opinion of this house, it is of vital importance that the attention of the board of trustees of the Canadian National Railways be directed to this matter and that this house deems it highly desirable that the said board of trustees shall consider this question and report thereon with the least possible delay as being of vital and primary importance in the interests of all concerned.

He said: Mr. Speaker, it is not my intention to take up very much of the time of the house; the resolution speaks for itself. This is purely a matter of business and has nothing to do with politics. As hon. gentlemen have said already this afternoon, this railway situation is one of our big problems. Now we have a new board of directors, and when you, Mr. Speaker, or any other business man, put a board of directors in charge of that business your ambition is to see that they make it pay. If the new trustees are business men, as I think they are, in my opinion they would want this capital structure remoulded. A great deal of money has been lost, and it is not fair to ask this new board of directors to make provision for that money. It must be written off some time, and while perhaps it should have been done before this, in my opinion there is no excuse for further delay. I realize that this is a huge undertaking; we will be told that there are so many subsidiary companies that it is not possible to carry out this

[Mr. D. M. Kennedy.]

suggestion, but this is a practical proposition, and in my opinion this resolution should be accepted by the government.

This resolution has as its object the early stabilization of what may be properly called one of the most important public utilities in Canada, the Canadian National Railways, in which we are all interested because it is owned by the government of Canada. It is not my intention to dwell on how, when or why we became possessed of this great system of transportation; we now own it and, in my humble opinion, should control it and show an interest in its welfare, and in my judgment the first step in proper and intelligent control is to reduce the capitalization as soon as possible to its true present-day value. Such a step as is proposed in the resolution is essential if we are to expect that considerable measure of relief for the taxpayers of Canada to which the Duff report refers. I should like to refer to section 86, which is found at page 30 of that report:

It has been suggested that in view of the excessive capital liabilities in relation to the earning power of the system they should be reduced to an amount which would more nearly approximate the earning power of the railway. The net operating income (i.e., the amount available for interest and dividends) of the Canadian National System for the period 1923 to 1931 inclusive averaged \$24,414,447 per annum. This figure would require adjustment if adequate provision were made for depreciation.

It is obvious that on this basis of earnings the capital liabilities would require a very drastic writing down. And while this commission is of opinion that it must be frankly recognized that a very substantial part of the money invested in the railways comprised within the Canadian National System must be regarded as lost and that its capital liabilities should be heavily written down, they do not consider that the time is opportune to deal with this important matter.

That was their opinion at the time this report was made, but they go on in the next section, 87;

This question as well as that previously referred to, dealing with the present involved financial structure of the Canadian National System, should, in the opinion of the commission, have the early attention of the board of trustees, which it is recommended should be entrusted with the control and management of the System.

That the problem is a great one, there can be no two opinions, and it is worthy of serious consideration. I would remind the house that the demands of the Canadian National Railways upon the federal treasury have been an important factor in disastrously impairing international credits, so much so that there is