

Now, Senator Meighen, I would still like to answer your question. Senator Meighen takes the view, Mr. Chairman, that the legislation passed in 1933 should not stop with the setting up and the carrying forward of the losses and the setting up of the liabilities. Do I understand aright?

Right Hon. Mr. MEIGHEN: Yes. When you say, not to stop funding, the intention is not to omit the item altogether. The company carries the liabilities but does not fund them, and therefore there is no interest calculated on them. That seems to be as far as the Duff report went in respect of those deficits.

Mr. MATTHEWS: The Minister of Finance in 1933 did not think that.

Right Hon. Mr. MEIGHEN: I do not agree with what was done then.

Mr. MATTHEWS: I have already said that the Minister of Finance of 1933 wrote the loans down by \$53,000,000, because, he said, he was implementing the Duff Commission recommendations and the Canadian Northern and the Canadian Pacific Act that was then being enacted. So I must say it leaves me rather confused in mind when you state it should still be continued in some form as a liability. The Government of the day in dealing with that legislation had the Royal Commission report submitted to it and did just exactly what this plan proposes to do.

Right Hon. Mr. MEIGHEN: I admit you have pretty high authority, but not high enough.

Hon. Mr. DANDURAND: No. I think he has the highest authority, because Senator Meighen was jointly responsible for that statement of the Minister of Finance.

Right Hon. Mr. MEIGHEN: That is right. The trouble is I had so much to attend to in the Senate that I never saw it.

Hon. Mr. DUNNING: I support the Senator Meighen of 1932.

Mr. MATTHEWS: May I be permitted to develop one step further what to my mind is the most important consideration in this Bill—the question of the authorities upon which it is based. There is no need for this committee to take the view of my firm on this matter, because every move proposed in this Bill can be referred to what we regard as competent authority over the years. I believe Senator Meighen was under the impression that this Bill goes much further than the authorities, and, in fairness to his views I should like to take this step by step and examine what authorities there really are behind them.

There has been a great deal said about this doing violence to sound finance. Let us see what a man like Sir Joseph Flavelle has said on the subject. He is head of the Canadian Bank of Commerce to-day. He made certain specific recommendations concerning this matter, and I think they can be accepted even to-day, fifteen or sixteen years later, as having been pretty soundly presented.

There is no question in your mind, Senator Meighen, about the \$262,000,000?

Right Hon. Mr. MEIGHEN: The old stocks? You can strike that sum out.

Mr. MATTHEWS: Now then, we move to the next point, the elimination of advances for deficits, moneys found by the Dominion of Canada and put into the treasury of the Canadian National to restore its losses. There is no question about their being real money. But what kind of authority have we got for suggesting such a move? First of all, in 1925, under the Board of Audit Act there were two firms of chartered accountants specially brought in, Edwards, Morgan and Co., who for many years had made a study of the Government situation and knew Government finances probably better than any other firm in Canada; and Peat, Marwick, Mitchell and Company, an organization of world-wide repute. They came here in 1925 and spent months in studying the position of the Dominion finances with those of the National Railways, and in submitting their report they made a definite recommendation that the capitalization of deficits be discontinued. I quote that to begin with as an authority.