

National-Canadian Pacific Act of 1933. If one refers to the finance bills under which those moneys were voted it will be found that they were granted not as debts but as outright grants, so that to say they are debts is entirely contrary to the fact. I do not know what figure could be inserted. I cannot imagine what the senate had in mind in making this amendment, but to insert any figure is to do exactly what we are trying to undo through the bill. The purpose of this measure is to take out the deadwood from the corporation balance sheet.

Mr. BENNETT: This amendment does not touch that purpose.

Mr. HOWE: A footnote would not do so? I should like to refer to that argument. It has been said in the senate and in this house that a footnote to the balance sheet is not part of the balance sheet. The accountants of the department, however, say very definitely that the footnote on a balance sheet is part of that balance sheet, and our legal advisers are of the same opinion; both say that no footnote is ever put in a balance sheet unless it is necessary to give a clear conception of what the balance sheet is intended to report. The purpose of a footnote on a balance sheet is to show that bond interest in a certain amount remains unpaid, or that certain preferred interest is unpaid; it is put there because without it the balance sheet does not correctly set out the present position of that business. No such purpose would be served by the footnote proposed in the amendment. This bill eliminates from the balance sheet these losses on operating deficits. That is its purpose. To say in a footnote that these items must also be considered in reading the balance sheet is to undo everything that this bill purports to do.

Mr. BENNETT: But the amendment does not say that.

Mr. HOWE: It provides that there must be a footnote on the balance sheet showing that this amount is involved.

Mr. BENNETT: No.

Mr. CAHAN: It says it is "disclosed" in another statement.

Mr. HOWE: But why would they feel it necessary to disclose a figure, almost as large as the balance sheet itself, in a footnote, unless it has some direct effect on the figures above?

Mr. BENNETT: When the minister has finished I shall say something.

Mr. HOWE: I have suggested two reasons for rejecting this amendment. One is that

the figure named is grossly inaccurate; it is not the correct debt at all. The second is that to put in there any such specific sum of that magnitude, however one cares to make it up, is to undo everything that this bill undertakes to do in clearing up the balance sheet situation.

In that connection it is interesting to note that it has been said here that financial centres were quite aware of this duplication. My attention has been called to the statement filed by the underwriters in connection with the recent loan by the dominion in the United States. The underwriters, Morgan, Stanley and Company, found it necessary in a registration statement issued on January 14, 1937, under the United States Security Act of 1933, to caution prospective investors against a misconception of the present combined debt position of the dominion and its railways. This footnote is found on page 23 of the registration statement as follows:

Under no circumstances should the loans set forth above and the interest accrued thereon, be included in any figure for the gross debt of the dominion plus the debt of the Canadian National Railways, as to do so would involve an overstatement of the total debt of the dominion, and of the railways due to the public by the sum of the above loans and accrued interest thereon, to wit, \$1,250,235,251.

My officers who are responsible for these matters tell me that, if we put the proposed footnote on the balance sheet, in order to float a loan in the United States it would be necessary to have another explanation. What we are trying to do is to present to the world a combined statement of the debt of the dominion and the debt of the railways so that the two can be added together and the total liabilities of Canada and its railways disclosed. Unless we can do that there is no purpose in this bill.

I move, therefore:

That a message be sent to the senate to acquaint their honours that this house has agreed to their amendments to Bill No. 12, an act to provide for revision of the accounting set-up of the Canadian National Railway system, with an amendment to their second amendment as follows:

By striking out of the said amendment the words "representing an aggregate indebtedness of \$1,334,567,414 is disclosed in the net debt of Canada and" and substituting therefor the words "is included in the net debt of Canada, and that expenditures by Canada on Canadian National Railway system are set out":

For the following reasons:

The inclusion of the second amendment as worded nullifies the purpose of this bill in that it restores to the balance sheet the amount of accumulated operating deficits covered by loans, and adds thereto the amounts voted in the form of contribution (which are not and never have been loans) under the Maritime Freight