

Hon. Mr. McLean: The profits should be reflected there, and if there are investments which the railway thinks should be included with the railway business, I do not see any other place to charge them. It seems to me that everything the railway has gone into was started out of railway earnings.

Hon. Mr. Haig: Then does my friend maintain that the basis on which the Board of Transport Commissioners made their findings was wrong? Their attitude was that the loss of the Canadian Pacific Railway on the Soo Line, for instance, should have been charged in such a way as to increase freight rates in western Canada. Does my friend support that position?

Hon. Mr. McLean: I do not know what these losses were charged against. I do not know anything else to which they could be charged.

Hon. Mr. Haig: But the Board of Transport Commissioners would not let the railway charge these losses against railway business in reaching a basis for fixing the rates. The policy of the commissioners is that outside investments should not be taken into consideration in fixing the rates. In that respect I think the board is right. I do not think that railway companies should be allowed to charge their losses in other enterprises to anything that has to do with railway operations. On the other hand, when profits are made in other enterprises, the cost of investments should not be included in the cost of operation of the railway. The railways maintain that they should have a reasonable dividend return on money actually invested in the road; and if \$20 million is invested in smelters, that amount should not be considered in the fixing of the rates.

Hon. Mr. Fogo: But where did the \$20 million come from?

Hon. Mr. Euler: Out of the profits of the railway.

Hon. Mr. Haig: No, it did not. The Board of Transport Commissioners has decided that profits from outside investments—or losses, when they occur—cannot be included in the general picture. I think the commissioners are right in this view. I would not want to vote to bring all the dealings of the railway into the picture. The railways in the United States—and I presume in Canada—have invested heavily in coal mines, because coal is necessary for the operation of the railways. Large sums of money have been lost in such enterprises.

Hon. Mr. Euler: Do the losses not come out of the profits of the railways, exclusive of outside investments?

Hon. Mr. Haig: Yes.

Hon. Mr. Euler: If profits are made from investments of the railway, why should they not go back to the original source?

Hon. Mr. Haig: But the Board of Transport Commissioners does not agree with that principle, and I support that view.

Hon. Mr. Fogo: Would the honourable gentleman permit a question?

Hon. Mr. Haig: Yes.

Hon. Mr. Fogo: Is my friend overlooking the fact that the capital used to purchase these other enterprises originally came out of freight earnings of the railways?

Hon. Mr. Haig: No, no.

Hon. Mr. Euler: That is the point.

Hon. Mr. Haig: It was capital invested in the railways.

Hon. Mr. Fogo: Would not these losses, to which the honourable gentleman refers, be first charged to "other income", and only be charged back to the railway operations revenue when there was an over-all loss. Is that not the effect of the decision of the board?

Hon. Mr. Haig: No.

Hon. Mr. Fogo: I suggest that is the effect of the decision.

Hon. Mr. Haig: The original capital of the company was so much. The contention of the railway now is that after the interest on bonds, preferred stock and other charges is paid, the actual capital investment of the company should show some earnings. If I had some capital invested in the C.P.R.—which I have not—why should not that money bring me some return? Suppose I paid \$25 a share for the stock, should I not have some income on that investment? Surely that is the principle underlying private ownership. If my friends do not admit that principle, then they are only talking socialism. The basis of the system of capitalism is that the investor is entitled to a certain return on his money. If the railway takes my money and invests it profitably in smelters, in fixing freight rates, it does not charge interest on that capital investment; yet I as a shareholder participate in the profits. But if the railway gets involved in a losing proposition, like the Soo Line, which everyone knows has been on the verge of bankruptcy for years—

Hon. Mr. McLean: But that is an investment outside of Canada.

Hon. Mr. Haig: The same thing happened to their investments in the coal mines in Alberta and British Columbia, where they lost a lot of money. Take for instance the