

Mr. IRVINE: Has the Canadian National similar headquarters in the other European headquarters—Rome, Berlin, Stockholm? If not, why purchase one in Paris and not in the others?

Mr. GRAHAM: The Canadian Pacific Railway have headquarters in Paris. I do not know about the others. Paris is considered a very central point of European trade. It is, in a way, the hub of the wheel.

Mr. IRVINE: There is this great difference between the Canadian Pacific and the Canadian National: the Canadian Pacific has steamship lines across the ocean and I understand also has railroad systems on the Continent. I could understand that they would require headquarters of this character. But I cannot see how the Canadian National would require them.

Mr. GRAHAM: I have never heard of the Canadian Pacific having railway lines on the Continent. They have their own steamship lines; and the Canadian National has connection with the Cunard and White Star lines.

Mr. IRVINE: Then, do I understand that this purchase in Paris is merely "Keeping up with the Joneses," so to speak? Is that the service that is expected by it?

Mr. CAMPBELL: How is this figure of \$73,000,000 made up? I understand that about \$58,000,000 is required to cover the deficit. Is this for the deficit on last year's operating?

Mr. GRAHAM: I regret I was unable to hear the last part of my hon. friend's remark, but I understand that he is asking how the \$73,000,000 is made up. I will give the totals: For the Canadian Government Railways, \$5,772,941; Canadian Northern, \$36,906,826.64; Grand Trunk, \$20,000,000; Grand Trunk Pacific, \$10,320,232.36; operating deficit, estimate for next year—which we think is very liberal, but provision must be made—\$10,000,000; interest and other sundry charges, \$22,821,260.34; refunding and sinking funds, \$8,184,699.33; capital betterment and equipment, \$31,994,040.33;—making a total of \$73,000,000.

Mr. CAMPBELL: Have the department taken into consideration the matter of adjusting the capitalization of these railways? The Canadian Government railways, of course, have no capitalization, but the others have. Has the idea of writing off or readjusting the value to bring it down to the actual value been considered at all?

Mr. GRAHAM: That suggestion has been made in several quarters. I think the former

leader of the Progressive party urged it very strongly. It would not in any way reduce the liability of the country. If you owe so much money you would still owe it whether you write down the capitalization or not. But it is a matter for investigation. This has to be borne in mind, however,—as my hon. friend has pointed out, there is quite a proportion of the Canadian National system now known as the Government Railways, the capitalization of which is not considered in the indebtedness of the railway, so if the Canadian National system outside of the Government Railways is over-capitalized as some contend, you have to offset that in making your calculations. The amount of capital invested in the Government Railways is about \$440,000,000, if I remember correctly.

Mr. CAMPBELL: I have compiled some figures that are rather illuminating. The Canadian National—and when I say the Canadian National in this case I am including the Grand Trunk but excluding the Canadian Government railways—had net earnings last year of \$193,171,000, and against that interest or fixed charges of \$62,454,000; while the Canadian Pacific, with earnings nearly as high, \$186,665,000, has fixed charges of only \$13,348,000. Taking our roads separately I find that the Canadian Northern for 1922 had gross earnings of only \$1.85 for every dollar of fixed charges; the Grand Trunk Pacific had \$2.17 earnings for every dollar of fixed charges; the Canadian Government railways had \$1.79 of earnings for every dollar of capitalization; and the Grand Trunk had \$6.95 of earnings for every dollar of fixed charges. And the Canadian Pacific had a revenue of \$13.98 for every dollar of fixed charges. I might say in connection with the Canadian Government Railways that I arrived at the fixed charges by computing 5½ per cent interest on the investment of \$414,000,000. I should like to quote at this point from an editorial in the Manitoba Free Press regarding the capitalization of the railways. It says:

The time has now come to consider seriously the proposition which has been frequently advanced during the past two or three years, to cut down the capitalization of the system to a point where it will represent the actual value of the road. . . . It will not be denied that the capitalization of the Canadian National railway is far in excess of the physical value of the road. In this huge mountain of debt are embedded all the railway blunders of Canada since the first railway was built.

Further on it makes this reference to the effect on the operations of the road: