

Mr. MANION: I know that it did not of recent years, and my deputy informs me that it never did. After that state of affairs had continued for some years, when the Canadian National got into financial difficulties this year they saw no reason why they should continue to pay interest that was not being earned, and in addition, my recollection is that to continue to operate the road they would have had to spend on it \$300,000 in capital expenditures. So they simply decided that they had no further obligation to pay the interest on the debentures. After all, the debenture holders of this road are in no worse shape than the debenture holders of many other private companies all over the world, and the only reason these people are making any claim at all, so far as I can see—I am speaking subject to any information that I have not at the moment—is that it is nominally a government institution. But the government never guaranteed it, and the Canadian National never guaranteed it. The Canadian National were simply operating the road. That is the only link there is with the government. Of course, it is possible that after further consideration it may be admitted that they have some claim, but so far I have seen no reason for admitting any.

Mr. CAYLEY: If the road never earned the interest, and the government have paid it out of the revenue of the country, one would feel that the government did recognize the responsibility.

Mr. MANION: The government did not pay the interest; the Canadian National Railways paid it. It may have been indirectly paid by the government, but—

Mr. CAYLEY: The Canadian National Railways did not earn it, so it was paid out of the revenues of the country.

Mr. MANION: That is correct.

Mr. CAYLEY: Was there an offer made by the city of Toronto at one time to buy this road?

Mr. MANION: That claim is made by the owners of the debentures, but I cannot answer my hon. friend's question: They claim there was, but that is something about which I know nothing.

Mr. CAYLEY: I understand they offered at one time to pay \$3,000,000 for this road. Do the officers of the department recollect any offer of that kind?

Mr. MANION: My deputy says he does not, and it was before my time. I do know that the owners of the debentures claim that an offer was made by the city of Toronto, but that the sale was not made.

Mr. GARDINER: How did this road become a subsidiary of the Canadian National Railways?

Mr. MANION: It was a subsidiary of the old Canadian Northern, and I believe it was taken over by order in council on the recommendation of the Canadian National Railways' management made to the government of the day. I am sorry I cannot give the year, but I know it was some years ago. It was a Mackenzie and Mann subsidiary of the Canadian Northern Railway. The Canadian National Railways took it over and operated it for some years at a loss, but during those years paid the interest to the debenture holders.

Mr. GARDINER: Did the old Canadian Northern pay the interest, too?

Mr. MANION: I presume it did, but I cannot say definitely.

Mr. CAYLEY: I have a clipping before me, but I am not just certain from what paper it has been taken. It is as follows:

I would like to ask if the Canadian National recognizes any moral obligations. The Canadian National Electric has the very strongest moral claim. Toronto, in January, 1922, by a majority of over 2,500 voted to buy this electric road for \$3,000,000 (the mortgage being \$2,628,000), which would have given the bondholders par for their bonds and later Toronto bought a portion of the railway in the Toronto limits for \$118,317 on which I believe the mortgage was not discharged.

Further on in the same article I find the following:

And why did the government by act of parliament passed on June 6, 1919, incorporate this road as part of the Canadian National system, and in that act state that any deficit would be paid out of the consolidated funds of Canada? If Canada is willing to take umbrage under a legal technicality and not recognize any moral claim it will complete the mistrust Great Britain has in Canada's financial integrity and make Canadians hang their heads in shame.

It would seem a good offer was made at a time when the road was paying its way, and for some reason or other that offer was turned down.

Mr. MANION: Of course that is the history of many businesses. I do not suppose there is a business in the world to-day that cannot look back to a time only a few years ago when it could have sold out for a big price,