

On section 10—Surplus earnings to go into consolidated revenue fund.

Mr. WALSH: The section contains these words:

The directors of the Canadian National Railway Company may cause to be paid over to the minister for the consolidated revenue fund all or any part of any such surplus earnings.

Why the word "may"?

Mr. HOWE: We are giving the board of directors the privilege enjoyed by directors in most companies, namely that of paying or not paying dividends as they believe the state of the property permits. In other words they have the option of paying or not paying a dividend as they think wise.

Mr. WALSH: And if they decide not to pay a dividend, what do you propose that they do with the money?

Mr. HOWE: The money goes to build up the working capital of the property.

Mr. WALSH: It is reinvested in the property?

Mr. HOWE: No, it is not reinvested. It is simply carried as cash. When there is enough to reinvest would probably be the time to pay a dividend.

Mr. BENNETT: Pay the debts first.

Mr. WALSH: It would be better if any surplus which might accrue from year to year was paid over to the government which had furnished the money to pay the deficits.

Should not the word "may" be changed to "shall"? If I, as a private individual, loan a person a sum of money and then find him in affluent circumstances, I expect him to start paying back the loan. The government has met the deficits of this railway from year to year, and if there should be a surplus I think it should be paid back immediately to the people who have paid the deficits.

Mr. HOWE: That might be so if we look upon this railway as one that will usually be a loser, showing credit balances only occasionally, but I like to visualize this railway as some day more than paying its way. Lines which would have been abandoned if the general abandonment policy had been adopted in 1932 have since developed into very profitable branches; I refer to lines serving some of the new mining areas. I think the railway should be able to build up a working surplus which would allow it to withstand any bad years which might come along.

Mr. WALSH: I am glad the minister is in such an optimistic mood. He reminds me of a statement made in one of the first reports upon our railway system by the Drayton commission, which said:

For a system of 20,000 miles in a rapidly developing country should be able, before many years are out, to carry unaided bonded indebtedness, which would not, we estimate, need much to exceed \$2,000 per mile.

That optimistic expression was given in 1921, and to-day, in 1937, we find the Minister of Transport in an equally optimistic frame of mind. I hope his optimism will be realized within my lifetime.

Mr. ROSS (Moose Jaw): I was wondering if some day the Minister of Transport could not give us a short statement setting out exactly what was paid for the Canadian National Railways; how many lines were taken over which no other railway company would take over; the actual facts in connection with the arbitration and whether or not it was a case of no one else in the world wanting to take over the railways which were taken over at that time; and any other information which might be of value to hon. members. I should like to know how many of the new lines taken in were foisted on the Canadian National because the other competing railroad would not take them in.

Mr. BENNETT: You can easily find the reason, but that is not it.

Mr. ROSS (Moose Jaw): I should like to know the exact position of the railway business in Canada. Someone who happens to be interested in railways has been going from one end of this country to the other making certain statements. I represent a considerable number of the employees of this system, and this gentleman has been telling the people of Canada and of the world that the business he is supposed to be running is not good and is going into the hole. This is what he is doing instead of endeavouring to find some way to make his company pay a dividend or gain business or cut down expenses. He seems to be wanting to run both his own railroad and the Canadian National Railways into the ground.

A moment ago the leader of the opposition stated that we had assumed certain debts in connection with the railways because the provinces could not carry them. Why should those debts be charged to the Canadian National Railways? They certainly were not the debts of the Canadian National Railways. We should have a clear picture of this matter so that ordinary laymen like myself could understand the situation.