

Mr. MANION: In regard to the last suggestion of my hon. friend, I am glad to tell him that the present auditors will appear before the committee this year. Nobody else could, they are the only people who know anything about it. Those we are appointing now naturally will not know anything about the matter yet, so when the special committee does meet it will be Touche and Company who will come to explain everything; my hon. friend need have no worry in that regard.

Mr. GRAY: I do not propose to follow at any great length the very able statement made by my colleague the hon. member for North Waterloo with respect to the report of Touche and Company of last year, in which they advocated that the debt structure of the Canadian National Railways be written down, as the hon. member has covered it very fully. It is quite true, as pointed out by the Minister of Railways, that there have been previous recommendations with respect to this matter. I think it was investigated by the board of audit in 1925 and subsequently. But I say that the report of Touche and Company made to the committee very late last session was the most comprehensive of all reports that have been made. Further, the minister states that there has been no requisition or suggestion by the board of trustees that any action be taken. It is true that the Duff commission in their report stated—I think this is the way it was put—that they frankly recognized that a very substantial part of the money invested in the railways comprised in the Canadian National system must be regarded as lost, and the capital liability heavily written down; and, as stated by the minister, asked that it be reported upon by the board of trustees. Hon. Mr. Fullerton, the chairman of the board, told the committee last year that he had been studying the matter ever since he was appointed. Mr. Fullerton said on May 25 last year, as reported in the first minutes of proceedings, pages 3 and 4, that he has been giving the matter of this writing down of the capital structure serious consideration, has studied the report fully; and on page 4 he says:

It appears to me that it could be argued with much force that the writing down should even go further than has been recommended. However the matter in the final analysis is one for the parliament of Canada to determine.

I suggest to the minister that in Mr. Fullerton's recommendations as presented to the committee, he there and then said, I approve of what has been recommended by Touche and Company, and I pass this on to parliament, represented by the Minister of Railways and the government, to take action.

[Mr. Euler.]

I recall quite well that we there and then urged that the minister, even at that session, or certainly at this, should bring in a bill to give effect to the recommendations of Touche and Company and the trustees. The minister cannot argue that we are still waiting for some further recommendations from the board of trustees. On this point I am in full accord with what the hon. member for North Waterloo has said, that we have not finished with this, in view of the fact that this report was not acted upon by the government, and regardless of the statement by the minister: Oh well, these auditors will still appear before the committee. Of course they will, because in fact they have been acting since January 1, 1935. The Prime Minister said a few minutes ago that their term of office expired December 31, 1934. But who has been acting since that date? It is a continuous audit. At the end of the first quarter we are asked to strike out the name of Touche and Company and substitute that of Clarkson, Gordon, Dilworth and Company. I urge upon the minister that Touche and Company be permitted to finish, and to give again their recommendations and conclusions since the last report, in view of the fact that the government have not acted upon it. I think that is only right. I cannot appreciate the very fine distinction drawn by the minister to-day between dismissal and a change. I say to him, and I think upon consideration he will agree, that when he cast the reflections that he did upon this company—

Mr. MANION: I cast no reflections.

Mr. GRAY: Well, the minister can use his own judgment what term is suitable for his statement that he had heard that they had been a party to the propaganda that he said was being sent out about the government. The Minister of Railways said either too much or too little.

Some hon. MEMBERS: Hear, hear.

Mr. GRAY: It is certainly up to him to substantiate these remarks on the floor of the house, because this is a reputable firm. Then for the purpose of his argument the minister goes to the Bank Act and states that bank auditors are changed every two years. The Prime Minister interrupted my hon. friend from North Waterloo when he said that this company had been auditors for some ten or twelve years, the Prime Minister said, No, only one year under the government. Well then, if under the government they have only been there one year, if it is only one year that this government have recognized