

**CANADIAN NATIONAL RAILWAYS
FINANCING AND GUARANTEE
BILL**

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-121, to authorize the provision of moneys to meet certain capital expenditures of the Canadian National Railways System for the period from the 1st day of January, 1961 to the 30th day of June, 1962, and to authorize the guarantee by Her Majesty of certain securities to be issued by the Canadian National Railway Company.

Bill read first time.

SECOND READING

Hon. John M. Macdonald moved the second reading of the bill.

He said: Honourable senators, may I say at the outset that I do not consider myself to be an expert on Canadian National Railways legislation, so I hasten to assure the house that if this bill receives second reading I shall move that it be referred to the Standing Committee on Transport and Communications. Should any honourable senator feel that my explanation is inadequate in some respects he can be assured that at a meeting of that committee senior officials of the Canadian National Railways will be present to give a fuller explanation.

The purpose of Bill C-121 is to provide the necessary funds for meeting the capital expenditures of the Canadian National Railways covering the period from January 1, 1961 to June 30, 1962.

The bill further authorizes the Government to guarantee repayment of certain securities which may be used by the Canadian National Railways during the aforesaid period.

All honourable senators are well aware that this is a bill which is passed each year so that the Canadian National Railways can carry on the operation of the world's largest railway. It is in the usual form which was originally adopted by Parliament in 1952. It was in that year that the form of the bill was changed so as to include the financing of all capital expenditures whether authorized in that particular bill or in earlier financing and guaranteeing acts. This procedure is again being followed.

I intend to speak very briefly on the bill.

Like other Canadian National Railways bills, this year's bill with respect to expenditures and guarantees might be divided into three or four parts. By clause 3(1)(a) the railroad is authorized to make capital expenditures in an amount not exceeding

\$178,900,000 during the year 1961. If honourable senators will look at the top of page 2 of the bill they will find a brief summary of the proposed expenditures. The summary is self-explanatory and I do not propose to say anything further with respect to it.

In view of the fact that this bill covers expenditures which are to be made by the railway from the 1st day of January 1960 to the 30th day of June 1962, paragraph (b) was inserted in this subclause. This paragraph allows the railway to make capital expenditures in an account not exceeding \$76 million during the first six months of 1962. In other words, in the matter of time this bill covers more than a fiscal year for the railway company. Actually, it covers a period of 18 months. This clause always has to be included in such a bill, as this shows that the company can operate during the first six months of its next fiscal year.

Honourable senators will note that in this paragraph the C.N.R. is authorized to invest money in the securities of Trans-Canada Air Lines during the first six months of next year in order to enable this latter company to make any necessary capital expenditures. Similar authorization is made for the investment of funds for equipment, hotels and branch lines.

Finally, in paragraph (c) of this subclause provision has been made for the railway company to enter into contracts prior to the first day of July 1962 for the purpose of acquiring new equipment and generally for the purpose of improving the capital assets of the railway company. The amount that can be spent under this paragraph cannot exceed \$44 million. It should be pointed out that no payments of any kind on these contracts can be made until after the 31st December 1961, and all payments made under this paragraph must be made before the 1st day of July 1962. Any amount which might be owing under these contracts on the 1st day of July 1962 would then have to be covered by a similar bill to be passed next year.

The bill contains the usual section which authorizes the railway to do the following: (1) borrow money and issue securities; (2) insert in the annual report of the company the amount borrowed; (3) include in the annual budget for the year 1962 an estimated amount which the company will require for capital expenditure during its next fiscal year, and (4) finally set out in the annual budget the amount still owing under all contracts which have not been completed.

It is further provided in the bill that the company can issue its own notes, equipment trust certificates, bonds, debentures and other securities upon such terms and conditions as the Governor in Council may approve.