

expenses and interest on the notes to the government, and a reserve for depreciation.

Sir HENRY THORNTON: No, we could not, General, because most of our ships were built as a war measure, under considerable economic pressure, at very high prices per dead weight ton. After all, this Merchant Marine as we have it to-day is an inheritance from the war and we carry with that inheritance all of the disabilities of war time construction.

The CHAIRMAN: Do you think, Sir Henry, in view of that, it would be fair and wise if the government permitted us to write down to actual value the ships you have now and write off the difference. What is the use of carrying it?

Sir HENRY THORNTON: In its last analysis you might legitimately regard the excessive cost of ships built during the war as something to be charged to the cost of the war and in that sense there would be no objection to what you suggest.

Mr. CLARK: Have you any proposal to make yourself in this connection?

Sir HENRY THORNTON: Not immediately.

The CHAIRMAN: Do you intend to keep on carrying that heavy debt?

Sir HENRY THORNTON: No, I do not want to carry it any longer than I have to, but there have been so many things of primary importance in connection with the railway system to get straightened out and to do, that the writing down of the Merchant Marine capital, or what might be called its financial reconstruction, is just simply something that we have not been able as yet to get at. We have probably approached the time when that ought to be given serious consideration.

The CHAIRMAN: It would not be nearly so difficult as the question of writing down the capitalization of the railway.

Mr. POWER: The same principle is involved.

Sir HENRY THORNTON: It is all in the one pocket.

Mr. POWER: The principle is there. If you were able to write down this excessive capital, would you be able to give cheaper rates to the shipper.

Sir HENRY THORNTON: No.

Mr. POWER: On what are your rates based?

Sir HENRY THORNTON: Broadly speaking, our rates are based on competitive conditions. There is not the same control and regulation of ocean shipping rates that applies to railways.

Mr. POWER: Do you say "on competitive rates" or on agreements with regard to shipping rates?

Sir EUGENE Fiset: Or conferences?

Sir HENRY THORNTON: Agreements or conferences. Necessarily our objective must be to try to operate the Canadian Government Merchant Marine at a profit, and we would be betraying our trust if we looked at it otherwise. To that extent and with that object in view, we naturally want to see rates maintained at a level which will promote that. Of course in that connection we must consider the essential needs of the people we serve. Now we are offering just as low rates on our vessels, and sometimes a little lower than could be obtained from other shipping companies. If we went into a general policy of reducing rates, it would simply add that much to the deficit, and that in turn would mean that the government would have to make up that much more deficit, and the taxes of the people of Canada would be increased by precisely that amount. I have always said that the people of Canada, if they want to, can wipe out all freight rates, both on land and water, or reduce them to any point that they want to, and then it will be my job to carry that out; but I must tell them that if that is done, somebody somehow has got to pay the bill at the end of the year.

Sir EUGENE Fiset: If your capitilization were reduced as suggested so that the interest you have to pay is substantially reduced, could you see what-ever balance of profit there is in the reduction of rates.