

acts. I point out that the 1964 financing and guarantee act, which was the last one before the Senate, extended to December 31, 1965. It extended the expiry date of the authority granted by the Canadian National Railways Capital Revision Act of 1952 for the purchase of such stock.

I must point out to the Senate that from my personal studies I find that the original act of 1952 contemplated expiry after nine years from the enactment of 1952, but for several years both Houses of Parliament have agreed to extensions. The cost of the purchase of four per cent preferred stock is at the present time about \$25 million a year. It does not presently return anything on this investment. I think since 1952 dividends have been paid only in three or four of the years in this period.

The third item involved in this bill will extend until the year 1967 a moratorium on interest on the government loan of \$100 million to the railway company, which was also authorized in the basic act of capital revision of 1952. Again I must point out to the Senate that the original concept in the 1952 act was that the interest would be forgiven for a period of ten years, and in the last ten-year term of the loan interest would be paid. Each year Parliament has decided to forgive the interest on this particular item of \$100 million, and that is incorporated in the bill before us.

The fourth point is that the bill will provide for the interim financing requirements of Air Canada during the first six months of the calendar year 1967 in the amount of \$50 million. The reason for this, honourable senators, is that the Crown-owned airline company has engaged in very exceptional purchasing of new equipment. For some years previous it has not been required to borrow from the Crown, but because of this purchase of new equipment it does for the first six months of 1967 require some government guarantee for its financing.

Fifth, as in previous years, this bill in a similar way provides authority for the Government to make temporary loans to the Canadian National Railways and to Air Canada to meet deficiencies in operating revenues up to June 30 of 1967. Any such loan is to be repaid later from revenues of the railroad or of the airline. If these prove insufficient, then in the usual manner you will receive a request for a vote through the Estimates to cover any deficiency. So far as

the C.N.R. is concerned there have been substantial deficiencies for several years, but that situation does not apply to Air Canada.

Sixth, the bill will provide for the appointment of the firm of Touche, Ross, Bailey and Smart, Chartered Accountants, of the cities of Toronto and Montreal, as auditors of the C.N.R. for the calendar years referred to in the bill.

Now I understand that the Leader of the Government in the Senate feels that inasmuch as for reasons known to all of us there was not a review of the budgets or reports of the C.N.R. or Air Canada for the calendar year 1965, or indeed for the calendar year 1966, it will be appropriate for this chamber to ask that officers of these two important crown companies appear before one of our standing committees. I assume that the Leader will make a motion along those lines at the appropriate time. In my view, honourable senators, this is desirable. If you examine the financial reports of these very important public services, you will find that deficits since 1959 in the C.N.R. alone total \$300 million. Therefore, I think this would be proper avenue of investigation by the Senate.

I want to give credit to the Canadian National Railways to this extent: there have been no new borrowings by them since 1961. In other words, while I have presented to you figures of their capital requirements for 1965 and 1966 that may sound stupendous, they have, by depreciation and through the sale of preferred stock that I referred to, generated internally these funds without any new borrowings. The Canadian National Railways have not gone to the public or to the Government for new borrowings for the past five years, as I am informed. However, I want to point out as justification for Senate investigation, in a most helpful way, the fact that since the calendar year 1956 to the end of the proposed estimates for the calendar year 1966, more than \$2 billion net has been ploughed into capital expenditures required by this crown company. The fact that it was not possible for the other place to investigate these accounts during the last two years is, I think, ample reason for a wholesome study by the Senate of some of the figures concerning this, perhaps our chief Crown corporation.

Although, fortunately, the deficits of the Canadian National Railways have become slimmer in recent years—indeed they have gone from about \$67 million in 1960 to, according to the annual report which you have all received, about \$33.5 million in 1965—they