

dian National Railways certain liabilities and thus give the public a false impression of what the Canadian National has done and is doing.

Hon. Mr. DANDURAND: We must all recognize that all the roads in this System, beginning with the Intercolonial, are our offspring. They are the children of the Parliament of Canada, and Parliament has been feeding them, on account of deficits. Now there appears a duplication of liabilities in the accounts of the Canadian National and of the Government, a duplication which is harmful to Canada's reputation in the financial world. Since we are a borrowing country and must go again to the financial centres to borrow, should we not do the right thing and set our house in order? Senator Meighen says there is another way of doing it than that proposed here. But I think this is a sound one. We are not trying to hide anything from the public. All the figures will be available to Parliament and the public every year. I do not think we gain anything by duplicating these liabilities on the railway's balance sheet, and saying to the public at large, "Look and see how badly we have been administering this road. Behold how black is the situation!" I do not believe that is a fair thing to our own child, the Canadian National.

Hon. Mr. CORÉ: May I ask a question of Mr. Matthews? I am not an accountant and it may be that questions which to me are very difficult would appear simple to an accountant. In appendix No. 4, on page 13A, I do not see an item of profit and loss. That is wiped out. Now, next year the railway may have a loss. I am afraid it will. And naturally in the annual reports that loss will have to be shown, at least until such time as the Government votes the money.

Mr. MATTHEWS: Yes.

Hon. Mr. COTÉ: When the Government votes the money that loss will not be carried forward into the next year. Am I right in understanding from what you said, that the moment the deficit is paid by the Government through an appropriation by Parliament, the deficit is wiped away? And the deficit being wiped away, the profit and loss item on the statement vanishes? So next year you start off without the profit and loss item, and that process will be carried on indefinitely?

Hon. Mr. HOWE: It is being carried on now, Senator, and has been since 1932.

Hon. Mr. COTÉ: In other words, the railway's balance sheet will not carry a cumulative profit and loss account?

Right Hon. Mr. MEIGHEN: It has not since 1932, and it should not.

Mr. MATTHEWS: So far as the annual profit and loss account is concerned, the total amount for the year would be shown as heretofore, with the exception of the Government interest.

Hon. Mr. COTÉ: That would be shown in a separate statement?

Mr. MATTHEWS: Yes.

Hon. Mr. COTÉ: For that year?

Mr. MATTHEWS: Yes. There would be a total result of operations for the year. And as has been done since the Canadian National-Canadian Pacific Act became effective, there would be shown the amount which has been contributed by the Government. And the only amount carried forward is that loss which is not represented by cash contributions by the Government. For instance, there may be abandonment of property. Now, that does not involve replacement. Therefore the Government is not asked to put up that in cash. The fact remains, nevertheless, that there has been a decrease in the equity value of the property. So that so far as the future is concerned, under this new plan, I do not see that there would be any great difference, because you will carry forward only the amount of the non-cash items, which would be shown as a part of your proprietor's equity account. So I do not see any fundamental difference under the new plan.