

Mr. COOPER: The decrease in interest on the funded debt paid to the public is mainly with respect to the Grand Trunk 4 per cent debenture stock. The interest charged by the Government is  $3\frac{1}{2}$  per cent. The two things do not equalize exactly to the half of one per cent because of additional capital borrowing. If you turn to the top of the next page, Mr. Jackman, you will see we say "The primary reason for the decrease in interest paid to the public and the increase in interest paid to the government lies in the repatriation of the G.T.R. 4 per cent debenture stock—"

Mr. JACKMAN: What are you doing with your operating surplus; is that added to your working capital account?

Mr. VAUGHAN: We gave a cheque to the government for it.

Mr. JACKMAN: You have paid it under the statute, and did it come back as some evidence of indebtedness?

Mr. COOPER: That is 1942 business.

Mr. JACKMAN: In 1941 you had a cash surplus of \$4,000,000 odd.

Mr. COOPER: It was not paid until March of this year.

Mr. JACKMAN: But you paid that under the act. Does the government give you back one of your notes when you pay this back?

Mr. COOPER: I think they will.

Mr. VAUGHAN: That is what we are expecting.

Mr. LOCKHART: To what extent has the issuing of free passes increased since the beginning of the war? Have you any idea of that?

Mr. VAUGHAN: I do not think it has increased. We are watching the issuance of passes very carefully. As you know, during the holiday season of Christmas and New Year's we restricted the use of passes to emergency cases.

Mr. LOCKHART: Would you say there has not been an increase?

Mr. VAUGHAN: I do not think so.

Mr. SANDERSON: You bought some Victory bonds?

Mr. VAUGHAN: Yes.

Mr. SANDERSON: To what extent?

Mr. VAUGHAN: Out of one of the funds we had, out of the pension fund.

Mr. JACKMAN: Do you consider your working capital is quite ample for the present needs of the railroad?

Mr. VAUGHAN: We think it is. Of course, our working capital requirement has increased very materially on account of the increased pay-rolls and materials.

Mr. JACKMAN: You do not feel there is a surplus there?

Mr. VAUGHAN: No, I do not think so. It takes a lot of money to run a railroad the size of ours with all the material we have to buy and the pay-rolls we have to meet.

Mr. NICHOLSON: What are the possibilities of increasing the railroad stock to meet the demands that are likely to be made on it?

Mr. VAUGHAN: You will come to that later on. We have quite a substantial quantity of rolling stock on order, which is in the estimate.

The CHAIRMAN: Could we go ahead now, Mr. Vaughan, please?

Mr. VAUGHAN: (continuing) The financial result of the operations of the national railway system in 1941 was better than in any previous year. Net revenue, after the payment of all operating expenses, was \$66.6 millions, an increase of \$21.6 millions over the previous year. The cash surplus, after the payment of taxes, interest paid to the public and to the government, was \$4,016,000, an improvement of \$21 millions over 1940.