ed debt on which the annual interest payable was $127,601,426.14. Taxpayers must provide this interest, less any interest earned on Dominion assets.

In the Balance Sheet of the Dominion its debt is "represented by" certain assets, 41.9 per cent of which are expenditures on account of railways, for such expenditures, not including unpaid interest, have properly been charged to capital account.

If the asset in railways yields no return, there is no way of relieving taxpayers of any part of the more than $50,000,000, which must annually be paid on 42 per cent of the debt.

In this sense there is a very real loss to taxpayers if the government railways earn no more than interest on debt held by private investors, and no changes in accounting methods, or "writings off," can alter this position.

It may be unreasonable or impracticable that the Dominion's very heavy over-expenditure should be fully covered, but the Canadian National debt to private investors is slightly less per mile than that of the Canadian Pacific. Taxpayers will be directly relieved by any earnings over these minimum charges.

Under No. 2, therefore, there is an annual interest charge upon taxpayers of over $50,000,000 which can be lightened only by railway earnings.

No interest has yet been paid the government. Accumulated arrears on the company's books at December 31, 1931, on cash advances to the Canadian National, but not including interest on the cost of the Intercolonial and Transcontinental, were $356,991,972.

Under No. 1, the annual direct or indirect charge on taxpayers is the profit and loss deficit of the company, less interest payable to the government. The deficit for the nine years was $694,655,716. Deducting interest as above, the balance is $337,663,744, or an average of $37,578,184 per year.

In 1928 there was a small surplus, so figured, but in 1931 the deficit, exclusive of interest to the government, was $66,632,055.99.

In the first nine months of the present fiscal year, 1932-33, the Dominion had paid to the Company on current deficiencies $50,357,750.94. This does not include expenditures on the Hudson Bay line.

By comparison, Dominion expenditures and loans to provinces for direct and indirect unemployment and farm relief, the great national emergency problem, were in the same nine months only $44,605,509.

Except interest on national debt, this railway expenditure has become the largest item for which the budget must provide, and, of the interest item, 42 per cent must remain an annual charge unless some part of it can be recovered out of railway earnings.

There is thus, at present, over $100,000,000 annually involved, or more than the total revenues of the Dominion in 1910.

Further capital expenditures, of course, will increase the liability of the Dominion and, unless directly productive of profit, the burden on taxpayers.

Is this burden too heavy? If so, public policy, whatever general plan of administration it adopts, must secure:

1. Reduction of uneconomic mileage to an absolute minimum;

2. Further economies for the present and firm adherence to the standard of economy when volume of traffic is restored to normal;

3. If these do not promise adequate relief, then the sharing of the burden with railway users through adjustment of rates.

*Released for the National Committee on Economy in Public Finance*
*by the Canadian Chamber of Commerce*