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THE GENERAL FINANCIAL SITUATION

The annual report of the Canadian Pacific Railway having appeared within a few days of the statement by the Minister of Railways in the House of Commons regarding the Government roads, the material is available for a survey of the railway situation in the Dominion as shown by the statements of the two most important systems. The two reports have one outstanding feature in common, the extraordinary rise in the cost of railroad operation in this country as a result of putting into force of the McAdoo wage schedule and the supplementary schedules which have more recently appeared. In the case of the Government roads, while revenue advanced by nearly \$12,000,000 in 1919, operating expenses increased by practically \$24,000,000, and out of every dollar of revenue earned by these roads, 73 cents goes in wages to the employees. C.P.R.'s gross earnings in 1919 increased over those of 1918 by \$19,391,362, but net earnings were less by \$1,569,351, working expenses being increased by \$20,960,713, to a proportion of 81.39 per cent. These figures speak for themselves as to the unfavourable conditions under which the railways are at present operating. Moreover, to quote the C.P.R. report—"Your directors cannot hold out any hope of substantial relief for some time to come from these high costs, which are reflected so strongly in the operating expenses of the company. It is not to be expected that any normal increase in business can possibly equal the extraordinary increase in wage and other costs, which all railway companies have experienced during the past two years."

While, however, the C.P.R.'s railway earnings were sufficient for a 7 per cent. dividend, with a margin of \$844,000, the tale of the Government roads is a much less cheerful one. Deficits on all lines for the year, including the Grand Trunk Pacific, of which the Government is the receiver, reached \$47,000,000. Not a single one of the Government roads met its operating charges. The position is an extremely unsatisfactory and serious one; but nothing is to be gained in this connection by putting the blame on the wrong shoulders. Some of the newspaper opponents of Government ownership have used language, which suggests that these

deficits are primarily and solely due to Government ownership and operation. Statements of this kind suggest a deliberate intention to deceive. The fact that these roads were in Government hands last year has probably very little to do with these deficits. It is possible that had these roads been operated by private enterprise, that the deficits might have been a few million dollars less—although that is merely a supposition which is not susceptible of proof. As the report of the C.P.R. shows, these deficits are the result of circumstances which have nothing whatever to do with private or Government ownership.

That in lieu of a rise in rates, which would necessarily have to be given to the C.P.R. as well as the Government roads, heavy deficits must be expected from the latter for several years to come, is obvious. The position may be improved to some extent, by the inclusion in the Government system of the Grand Trunk, which in spots has at least a reasonable density of traffic, that will offset the loss necessarily incurred on colonisation roads which cannot be expected to make ends meet until they have fulfilled their purpose by developing traffic. While the present railway position in Canada is regrettable enough, it is in fact one of the penalties of the war, since there can be no doubt that but for the rise in costs, brought about by the war, the position would be considerably brighter than it is. We do not think, however, that those who advocate the immediate turning back of the railways into private hands, have sufficiently considered the possibilities in regard thereto. It is very doubtful, to say the least, if any financial or railway group could be found willing to take over the roads at present on anything less than absolute bargain terms. To dispose of the Government roads at the present time, would be like selling stocks when the market is at its worst. Apparently, the only way out of the present position is to nurse the roads along for a few years at least. If Government operation is then found to be unsatisfactory, the turning back of the roads into private hands would probably take place under more favourable circumstances, say in 1925, than at the present time.

The figures of the new bank statement indicate a continuance of the tendency in notice deposits,