

2. *Bill No. 34.*

Your Committee also had under consideration Bill No. 34 "An Act respecting the Canadian National Railways and to authorize the provision of moneys to meet expenditures made and indebtedness incurred during the calendar year 1932."

The object of this Bill was to authorize the Canadian National Railways to issue securities to the extent of \$61,500,000 for the purpose during the year 1932 of financing where amounts available from net operating income or investments may be insufficient. This sum is made up of the following:—

(a) Net income deficits, including profit and loss, but not including interest on Dominion Government advances, not exceeding. . . . .	\$ 42,784,610 13
(b) Equipment principal payments, sinking funds, miscellaneous maturing or matured notes and other obligations secured or unsecured, not exceeding. . . . .	11,681,651 87
(c) Construction and betterments, including coordinations; acquisition of real or personal property, and working capital, not exceeding. . . . .	7,033,738 00
Total. . . . .	\$ 61,500,000 00

The detailed statement of the financial requirements and estimated capital expenditures for the year ending December 31st, 1932, was placed before your Committee, amounting to the said sum of \$61,500,000, and while the Management of the system last year expressed their intention of reducing operating expenses and have put into effect economies which they affirm will approximate \$28,000,000 in the years 1931 and 1932, yet the difference between estimated operating revenue and estimated operating expenses for the current year falls far short of meeting the interest on the funded debt in the hands of the public, which, without regard to any interest due to the Government, this year amounts to the sum of \$56,849,244.65, an increase in 12 months of \$1,634,267.18. Reference to the annual Report of the Company shows that the net additional capital expenditure for the period of 9 years from January 1st, 1923, to December 31st, 1931, amounts to the sum of \$419,669,620.64 which has imposed an additional annual interest burden of \$20,936,821 for the same period and accounts for approximately 37½ per cent in the increase of the annual interest charges due to the public. There is also \$1,357,650 due the Government for interest on unfunded debt.

In the light of the foregoing it is difficult for your Committee to appreciate, from a business standpoint, the wisdom of some of the capital expenditures made and included in the total increase above referred to. Doubtless had the present world depression not so adversely affected the system or continued for such a great length of time, better results from these capital expenditures would have accrued to the system. In view, therefore, of the results of the past two or three years, your Committee strongly recommend that until there is marked improvement in the earnings of the system, capital expenditures should be limited strictly to the barest necessities, always consistent with efficiency.

Your Committee had under consideration also the Annual Report for the year ending December 31st, 1931, and have agreed to report the same.

3. *Operating Expenditures.*

The operating expenditures for the year 1932, exclusive of Eastern lines, are estimated at \$139,304,000 while the operating revenues for the same period are estimated at \$157,248,000.