

STATEMENT SHOWING DIVISION OF COST BETWEEN FUNCTIONS PREVIOUSLY
PERFORMED BY THE GOVERNMENT, AND NEW FUNCTIONS BASED
ON BANK'S PROFIT AND LOSS FOR 1938

Interest on investments, and advances to chartered banks (the latter amount is negligible)	\$4,356,446 64
Expense attributable to functions taken over from the Government as per previous statement	\$1,220,768 47
Taxes	89,908 21
Loss on silver bullion	135,740 18
Sundry additional expense	3,494 53
	1,449,911 39
Cost of new functions	\$2,906,535 25
	196,660 84
Balance available for depreciation in assets, for reserves, dividends and payments to Government	\$2,709,874 41

I have now a third and last statement which was made up in response to a question asked by Mr. Tucker in which he referred to the special issue of \$115,000,000 in bonds, 3 per cent bonds, which was delivered to us by the government at the time we commenced operations to balance a liability which we had taken over for redemption of the old dominion note issue. I should point out that this statement does not reflect as accurately the change in position as the first one which I put on the record. It necessarily runs back to the situation as it was in 1934 without making allowances for different things that have happened since then. It shows from the point of view of government a more favourable position than the first statement I put on the record. But I should say to the committee I think the first statement really more accurately reflects the situation, and I shall also add that while that first statement involved to a minor extent the making of estimates, the basis upon which it is made will tend to exaggerate the new costs rather than under-estimate them.

But returning to this present statement, the interest on 3 per cent bonds to the amount of something over \$115,000,000 issue is approximately \$3,450,000. That is the amount which is being paid annually by the government on the bonds.

Now, I deduct the old government costs transferred to Bank of Canada. These are not the figures which I mentioned in the first statement. These figures I am now using are, as well as we have been able to obtain them, the actual costs in the 1934-35 year to government. Those total some \$909,000, and I add as well the loss on silver bullion which would have been borne by the government.

And I find, as you will see in the statement which will be on the record, the gross new costs to government amount to \$2,375,455; that is, cost of interest of \$3,450,409, less charges which government would have had to bear of \$1,000,000 odd, leaving this gross new cost of \$2,375,455. I find that the profit of the bank, working on this basis only, for 1938 available for depreciation, payment to government and so forth, which I have previously recited, was \$2,410,046. In other words, there was an improvement in the government's position of \$34,000 in that year as compared with what it would have been had the Bank of Canada not been organized.