

stated, already been paid out for back wages under the Railroad Labour Board award. Only a special Act of Congress authorizing partial payments pending final settlement of the guarantee made it possible for many of these roads to avoid bankruptcy.

In England, passenger fares are seventy-five per cent above pre-war figures, and freight rates, from September 1st last, 112 per cent. Costs of materials have increased 200 per cent, and wages have increased 250 per cent. Further rate increases are contemplated, though short-distance freight has already commenced to move over the highways. In twenty months, the Government has had to provide about \$350,000,000 under the Government guarantee, and claims are being made by the railways totalling \$750,000,000 for arrears of maintenance, abnormal wear and tear, and replacement of stores. The British Government, therefore, faces a threatened loss of a billion dollars.

I hope I have made it clear that the result of the operation of Canadian National railways was not worse than obtained generally on the other side of the line and overseas. But that does not mean we should not take action to try and prevent these losses. At the present time the country is faced with permanent fixed charges as follows:

|   |               |
|---|---------------|
| Interest public debt (including sinking fund) . . . . .                             | \$142,800,000 |
| Pensions . . . . .  | 31,816,000    |
| Permanent expenditure for carrying on the affairs of the Government about . . . . . | 127,000,000   |
| Total, about . . . . .  | \$301,616,000 |

This without one dollar for carrying on public works, expenditures in connection with soldier settlement and re-establishment, and many other expenditures that must be provided for.

This means very heavy taxation for many years, and it would be a very serious matter to have increased taxation for railways to the extent of fifty, sixty or seventy million of dollars per annum to meet the cost of operation of railways.

As regard these heavy losses I must frankly admit I cannot see much hope of any management materially reducing the loss on Grand Trunk Pacific and Transcontinental railways for some years, but I do feel the losses on the other portions of the road can be reduced, and must be very materially, every year.

[Mr. J. D. Reid.]

## Grand Trunk Railway

The members should have a full statement with reference to the operations of the Grand Trunk railway, and when I say Grand Trunk railway I refer to the Grand Trunk Railway system now being taken over by the Government, the valuation of which is at present being decided by the board of arbitration.

I have not been able to get the annual closing statement from the Grand Trunk management up to the present time. Their staff is busy in connection with the arbitration proceedings. I had to send one of our expert auditors to secure from their books, and submit, a statement as to results of operations for the years 1919 and 1920, and he gives me the following report as approximately correct. After providing for operating expenses, tax accruals, income deductions, etc., the amount available for interest and dividends was, for 1919, \$11,164,035.53; for 1920, \$5,692,300.74. These amounts were available to meet interest and fixed charges on the following: 4 per cent and 5 per cent debenture stocks of the Grand Trunk, interest on all mortgage bonds of the Grand Trunk, interest on all mortgage bonds of the Grand Trunk Western, interest on all mortgage bonds of the Central Vermont, interest on secured notes of the Grand Trunk Railway, interest on equipment notes of the three companies, interest on guaranteed stock, first preference stock, second preference stock, third preference stock.

Out of the above amounts, the railway was able to meet in 1919 the interest on their fixed charges, but not on the share capital which includes the 4 per cent guaranteed stock, first, second and third preference stock, and ordinary stock. In 1920 the company falls short \$6,563,091.33 of meeting interest on fixed charges. In justice, however, to the Grand Trunk management I should add that they had to pay \$3,635,000 to the employees for back pay between May 1st and September 1st, when no increases for freight rates had been allowed.

In making this statement, however, it must be remembered that I am not taking into account the loss of \$19,817,873 on the Grand Trunk Pacific railway, a subsidiary of the Grand Trunk railway, which the Grand Trunk Railway Company are responsible for, an amount sufficient to wipe out at any time all of the excess earnings as shown in the above statement. Later on in the session I hope to have from the