

we took over the staff from the departments in which they were located. Now, those total charges for the year 1938 were \$1,750,000, speaking in round figures. The expenses attributable to functions taken over from the government, previously performed by the currency division of the Department of Finance and assistant receivers general throughout Canada, I have divided into two sections: the first amount, \$663,000 represents amounts paid out for the manufacture of bank notes and for their transportation by express or post throughout Canada; the other costs of operation of that department were \$365,000. I might explain that that department, in addition to handling all the work of putting out new notes during the course of the year, of making them available at the ten agencies throughout the country, and of redeeming and destroying notes which become unfit for use—in addition to that work the department in question has the custody of our gold stocks, it has the custody of the dominion government bond reserves and securities of other kinds, and is also the department which handles the work of dealing with subsidiary coins.

The second cost I have here is the management of the public debt division. That work which was previously being done by the government we took over last year. That is \$191,000, and the total of those two divisions is \$1,220,000. Now, from this I arrive at the fact that the expense directly attributable to new departments and the directing executive of the bank, excluding taxes paid to provinces and municipalities is \$439,000. Then I take the profits which could only have been obtained from operation of the new organization—let me say that those profits do not include any interest or discount on any of the investments of the bank nor do they include interest on advances which we may have made to chartered banks—they were negligible in any event. They include only profits which could not have been earned under the old form of organization. Such profits for the year 1938 were \$243,184.76. I therefore arrive at a cost of new functions of \$196,660.84 for the year 1938. In 1936 at the annual meeting of shareholders I made an estimate on a similar basis. In that year I figured that the cost of new operations net was about \$275,000; but I expressed the hope at that time that as years went on the cost would be reduced. It has been reduced in 1938 to \$196,000 odd. I expect it will be further reduced in 1939 and subsequent years.

ESTIMATE OF NEW COSTS ATTRIBUTABLE TO FORMATION OF
BANK OF CANADA FOR YEAR 1938

Total charges		\$1,750,522 28
Expense attributable to functions taken over from the Government:		
Previously performed by Currency Division and Assistant Receivers General throughout Canada—		
Cost of notes	\$ 544,278 07	
Shipping charges	119,057 33	
	\$ 663,335 40	
Other costs	365,830 13	
Management of Public Debt Division	191,602 94	1,220,768 47
Expense directly attributable to new departments and directing executive of bank (excluding taxes)		439,845 60
Profits which could only have been obtained through operation of the new organization (this excludes interest on investments or advances to chartered banks)		243,184 76
Cost of new functions		\$ 196,660 84

I have here a second statement, but before proceeding to that, may I take two or three minutes of the committee's time to mention the volume of certain of our operations, to try to give some idea at least of the character of our routine functions, which naturally have a bearing on our cost of operation. Perhaps the most important feature is this: under the old regime and under the Dominion Notes Act the active circulation of dominion notes—