CANADIAN PACIFIC RAILWAY COMPANY—*Concluded*

LIABILITIES

Capital Stock	$	472,256,921
Long Term Debt		450,374,638
Current Liabilities, etc		39,090,869
Reserves and Appropriations		40,989,709
Premium on Capital Stock, etc		67,276,695
Surplus		310,899,756
	$	1,380,888,588

XI. CAPITAL STRUCTURE, CANADIAN NATIONAL RAILWAYS

84. Representations have been made with respect to the capital structure of the Canadian National Railways. This problem presents several aspects. One is the very large number of companies whose corporate existence must be maintained. Another is the large number of different bond issues and mortgages with different rates of interest, expiring at different periods and with all sorts of different clauses in them. It has been stated that included in the National Railway System there are 251 different bond issues and mortgages; that there are 80 different issues of certificates in the hands of the public; that there are 139 companies whose corporate existence must be maintained; and that 42 separate income accounts and 90 separate balance sheets have to be prepared each year.

85. Another aspect of the problem is the total capital liability of the System. At December 31, 1931, the long term debt of the Canadian National Railways due the public (funded debt unmatured) amounted to $1,276,457,207. The money invested in the original Government Railways, loans by the Dominion Government to the privately-owned railways now absorbed in the System, loans to the Canadian National Railways to meet annual deficits, interest accrued on these loans and unpaid, and deficits on Eastern Lines, together total $1,393,469,164. The total of these two sums is $2,669,926,371.

86. It has been suggested that in view of the excessive capital liabilities in relation to the earning power of the System they should be reduced to an amount which would more nearly approximate the earning power of the railway. The net operating income (i.e., the amount available for interest and dividends) of the Canadian National System for the period 1923 to 1931 inclusive averaged $24,414,447 per annum. This figure would require adjustment if adequate provision were made for depreciation. It is obvious that on this basis of earnings the capital liabilities would require a very drastic writing down. And while this commission is of opinion that it must be frankly recognized that a very substantial part of the money invested in the railways comprised within the Canadian National System must be regarded as lost and that its capital liabilities should be heavily written down, they do not consider that the time is opportune to deal with this important matter.

87. This question as well as that previously referred to, dealing with the present involved financial structure of the Canadian National System, should, in the opinion of the commission, have the early attention of the Board of Trustees, which it is recommended should be entrusted with the control and management of the System.

XII. GROWTH OF THE BURDEN OF TAXATION

88. The demands of the Canadian National Railway upon the federal treasury have served to create a financial problem which, together with other demands, have led to large increases in borrowings by the Dominion Government and increased taxation.

89. When Canada entered the Great War there existed a federal debt of $336,000,000, entailing an annual charge of approximately $20,000,000. War expenditures added about $1,700,000,000 to the debt of the Dominion. In the post-war period, while there were years when the debt was reduced, the result on the whole has been an increase in the net debt. In the year 1930-31 there was added the sum of $83,847,977, and, in the year 1931-32, $119,500,000.

90. The additional carrying charges for the entire debt appear in the official estimates for the present fiscal year 1932-33, in which the interest upon the federal debt, and interest upon Post Office Savings, with $3,500,000 for sinking fund, calls for a payment of $137,400,000. To this must be added a war charge for pensions and special disability claims of $5,000,000 per month, or $60,000,000 for the year. These two items of fixed charges for the year 1932-33, totalling $197,400,000, should be contrasted with the $20,000,000 for the year 1913.

91. It is necessary, therefore, in considering the railway problem, which since 1917 has established claims for such immense sums upon the federal treasury, to ask how the country is to meet these capital and annual charges if continued.

92. It is to be remembered that, coincident with this great increase in federal treasury liability, there has been a vast enlargement in the liabilities of provincial and municipal governments throughout Canada. They have borrowed and spent, and spent and borrowed, and in consequence have increased their debt charges to such an extent that the burden of taxation is deeply resented.

93. Meantime international credits have become disastrously impaired and there is difficulty in securing immediate relief in an acute situation through fresh borrowings from Great Britain and the United States.

94. In considering, therefore, suggested solutions for the present railway situation, we must take cognizance of existing financial conditions, and bear in mind the prevailing low prices for all agricultural, and other primary products; also that the general depression in business is inevitably associated with unemployed men and women upon a hitherto unparalleled scale—with shrinkage in business income returns through greatly reduced profits, or actual losses in industrial and general merchandizing activities—involving reduction or passing of dividends upon investment securities, as well as, in some cases, actual loss in their capital value.