

3 per cent. first mortgage bonds (due 1962), bought by the government	\$ 33,048,000.00
3 per cent. first mortgage bonds (due 1962) outstanding	34,992,000.00
4 per cent. sterling bonds (due 1962) out- standing	8,440,848.00
4 per cent. bonds, issued and pledged to gov- ernment in 1914 as security for a cash loan of \$6,000,000	7,500,000.00
	<hr/> \$ 83,980,848.00

Government loans to Grand Trunk Pacific on Grand
Trunk Railway guarantee:—

1909	\$10,000,000 at 4 per cent.
1913	15,000,000 at 4 per cent.
	<hr/> 25,000,000.00

Government loans to Grand Trunk Pacific, secured by
Grand Trunk Pacific mortgage:—

1914	\$16,000,000
1916	8,000,000
1917	7,500,000
1918	7,500,000
	<hr/> \$ 39,000,000.00

∴ Total guarantees of Dominion government
and loans by the government to the Grand
Trunk Pacific (i.e., total interests of the
government in the Grand Trunk Pacific.. \$147,980,848.00

II. Saskatchewan government guarantees:—

4 per cent. bonds, due 1939...	\$11,347,848.00
4½ per cent. terminal bonds, due 1943	1,882,240.00
	<hr/> 13,230,088.00

III. Alberta government guarantees:—

4 per cent. bonds, due 1939...	\$ 2,430,000.00
4 per cent. coal branch bonds, due 1942	1,159,596.00
	<hr/> 3,589,596.00

IV. Grand Trunk Railway guarantees for Grand Trunk
Pacific:—

4 per cent. Series A second mortgage bonds, due 1955.	\$10,206,000.00
4 per cent. Series B second mortgage bonds, due 1955.	9,963,000.00

Dominion government loans to Grand Trunk Pacific on
Grand Trunk Railway guarantee:—

1909.. \$10,000,000 at 4 per cent., due 1919	
1913.. \$15,000,000 at 4 per cent., due 1923	
	<hr/> \$25,000,000.00
5 per cent. secured notes (se- cured by pledge of 4 per cent. debentures), due 1925	9,720,000.00
4 per cent. perpetual debenture stock	34,879,252.86
4 per cent. Lake Superior branch bonds	7,533,000.00
	<hr/> \$ 97,301,252.86

Summarizing these, we find:—

Dominion government guar- antees of Grand Trunk Pacific securities	\$147,980,848.00
Less amount of these guar- anteed by Grand Trunk Railway	25,000,000.00
Net amount of Dominion government guar- antees	\$122,980,848.00
Saskatchewan guarantees of Grand Trunk Pacific securities	13,230,088.00
Alberta guarantees of Grand Trunk Pacific securities	3,589,596.00

Grand Trunk Railway guarantees of Grand Trunk Pacific securities	97,301,252.86
∴ Total guarantees of Grand Trunk Pacific securities	\$237,101,784.86 ¹

Should the government take over both the Grand Trunk and the Grand Trunk Pacific it would be liable, therefore, for the obligations of the latter to the amount of \$237,101,784; but in case the Saskatchewan and Alberta governments should be held responsible for their guarantees, namely, \$16,819,684, the net amount of the Dominion government's obligations on behalf of the Grand Trunk Pacific securities would be \$220,282,100. But in order to raise this road up to standard in the matter of ballasting, ties, terminals, rolling stock, etc., it was estimated by the Railway Inquiry Commission at the end of 1916 that \$46,358,500 would be necessary.² In terms of present-day prices and wages, this would be the equivalent of over \$70,000,000, and when this is added to the above obligations, it becomes evident that the total amount of capital liabilities for which the Dominion government will be responsible upon the Grand Trunk Pacific system cannot be less than \$290,000,000, or, roughly, \$300,000,000. This assumes that all cash advances made to the road for construction purposes will be cancelled and not repaid.

Income and Expenses

Now, how does this western line stand in regard to its income account? Here there seems to be considerable diversity of statement. In the report of the Railway Inquiry Commission we are informed that the Grand Trunk Pacific in the year 1916 had a net operating income of \$826,653,³ and this is largely confirmed in the government statistics of that year.⁴ From these sources it would seem that the revenue of this company was sufficient to pay all operating expenses, but not ample enough to pay the interest charge on the funded obligations and government loans, which was approximately \$7,200,000.⁵ But in 1917 the minister of finance said there was a "deficit upon operating account," and that in order to meet this deficit, together with the fixed charges and the essentials for betterments and rolling stock, a sum of \$7,500,000 would be required for the year.⁶ To the same intent, he says that the company this year is not earning its fixed charges, and is even subject to a deficit of \$4,000,000 in operating revenue.⁷ For the year 1919-20 he considers that there will be a shortage of about \$12,000,000, composed of an estimated \$8,000,000 of interest on the company's securities and \$4,000,000 deficit in operating expenses.⁸ In all these instances there is left out of account the fact that under the original agreement the Grand Trunk Pacific is also liable every year for \$5,000,000 more, this amount being the minimum annual rental which it should pay to the government for the National Transcontinental. In any case, there is at least \$8,000,000 of fixed charges which the company does not earn, and which the government would have to carry if it appropriated the whole undertaking, since the Grand Trunk is unable to shoulder any part of its financial burden for its subsidiary.

From the foregoing reasoning we may group our results in the following way: By taking over the Grand Trunk the government would have to assume capital obligations of about \$400,000,000 and annual charges of \$20,000,000; and by acquiring the Grand Trunk Pacific its capital obligations will be increased by about \$300,000,000 and its annual expenses by at least \$8,000,000. This means that by such a proposed course of government ownership the enormous debt

¹ This does not include the cash advances made to the Grand Trunk Pacific, which are as follows: By the Dominion government, \$6,263,716; by the provincial governments, \$376,320; by municipalities, \$350,000; by Grand Trunk Railway Co., \$26,179,728—a total of \$33,169,764. It is assumed that these will not be repaid should the government take over the Grand Trunk Pacific and Grand Trunk Railway.

² Hansard, April 3rd, 1919, p. 1189.

³ Report of the Railway Inquiry Commission, p. xxv.

⁴ "Railway Statistics," 1916, p. 44.

⁵ Report of the Railway Inquiry Commission, p. xxv.

⁶ Hansard, August 1st, 1917, p. 4177.

⁷ Hansard, April 3rd, 1919, p. 1208.

⁸ Hansard, April 3rd, 1919, p. 1177.