

These loans bear interest at the rate of 2 per cent per annum and are amortized over a period not longer than the estimated useful life of the project. The province in which the municipality is located is required to guarantee the payments for interest on and amortization of each loan.

39. There was advanced during the year \$947,000 to the National Harbours Board for capital construction purposes at the ports of Montreal and Vancouver. As a considerable part of the interest accrued on the obligations issued by these two ports has been paid to the government, these loans are carried as active assets on the books of the dominion.

40. Loans to the Canadian Pacific Railway Company made in previous years for relief purposes were further reduced by \$211,000. In addition, the railway company paid the second instalment of \$441,000 under the terms of a hire-purchase agreement relating to certain equipment purchased by the government in the fiscal years 1935-36 to 1937-38 at a cost of \$5,730,000 and leased to the railway. Under the authority of the War Measures Act and the War Appropriation Act, the dominion purchased approximately \$10,000,000 of railway equipment for the Canadian Pacific Railway company. As at March 31, 1940, equipment to the amount of \$2,904,000 had been paid for and delivered. This equipment is being leased to the railway company under a hire-purchase agreement extending over a period of fifteen years.

41. The government purchased capital stock of the Central Mortgage Bank to the amount of \$250,000. On November 13, 1939, it was announced that the government had decided that the Central Mortgage Bank should not commence active operations for the time being. The existing state of war and the uncertainties regarding the effect which war might

have on incomes and real estate values, made conditions so abnormal that the government did not feel it would be practicable to make, with any degree of assurance, valuations that would provide an equitable and permanent basis for sound debtor-creditor relationships. There was the further consideration that the adjustments contemplated by the act involved the use of the national credit on a substantial scale, and this also seemed undesirable in view of the very heavy present and prospective demands upon the national resources for war purposes.

42. There was advanced to the Canadian Broadcasting Corporation the sum of \$750,000 for capital construction, mainly for two transmitting stations located in the maritime and prairie provinces. The corporation repaid \$50,000 on account of a loan made in the fiscal year 1937-38.

43. During the fiscal year under review, the provinces of Manitoba, Nova Scotia and Prince Edward Island reduced by \$699,000 loans granted by the dominion in the post-war period for house construction. Loans for Soldier and General Land Settlement were reduced by payments of \$1,116,000.

44. Investments in Sinking Funds amounted to \$4,189,000. Stocks of other loans amounting to \$6,987,000, held in the Sinking Fund of the 3½ per cent 1930-50 loan which was called for payment on April 17, 1940, were transferred to a bond holding account to be repurchased later for the Sinking Fund of other sterling issues. This resulted in Sinking Funds Account showing a net decrease for the year of \$2,798,000.

45. The following statement shows the net changes in active investments during the last fiscal year together with comparable figures for the four preceding years:

LOANS AND INVESTMENTS, ACTIVE
(000 omitted)

	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
	\$	\$	\$	\$	\$
Sinking Funds.....	3,636	3,646	3,843	4,336	Cr. 2,798
Canadian National Railways.....	3,689	4,573	Cr. 27,429	3,841	21,479
Canadian Pacific Railway.....	1,270	555	Cr. 211	Cr. 211	Cr. 211
Canadian Farm Loan Board.....	7,933	10,991	3,848	2,834	2,288
Dominion and National Housing Acts— Loans.....	82	995	1,678	2,657	4,393
Municipal Improvements Assistance Act, 1938—Loans.....	—	—	—	815	3,111
National Harbours Board.....	1,438	323	1,890	692	947
Provinces—under relief legislation.....	42,304	15,462	16,299	14,985	12,566
Provinces—Post War Housing Loans....	Cr. 3,003	Cr. 2,038	Cr. 1,422	Cr. 105	Cr. 699
Railway Equipment purchased.....	7,244	5,120	89	Cr. 1,399	8,135
Soldier and general land settlement.....	Cr. 566	Cr. 489	505	Cr. 749	Cr. 1,116
Roumanian Government.....	—	—	359	—	—
Bank of Canada—Capital Stock.....	—	5,100	—	820	—
Central Mortgage Bank—Capital Stock.	—	—	—	—	250
Canadian Broadcasting Corporation....	—	—	500	Cr. 50	700
Canadian National (West Indies) Steam- ships.....	—	—	450	—	—
Net Advances.....	64,027	44,238	399	28,466	49,045