The Debt and Interest Charges of the Canadian National Railways.— To define clearly what is included under debt due to the Dominion Government in Table 21, the appropriations for the Canadian Government railways have been separated from the loans and advances to the remainder of the system. The capital liability to the Dominion Government includes the investments in the Quebec bridge and in the road and equipment of the Canadian Government railways constructed and purchased by the Government (Port Nelson terminals not included and Hudson Bay railway appropriations deducted for 1926), and the operating deficits of these railways for 1921-1925 inclusive but not for previous years, also working capital. The deficits of the Canadian Government railways for 1919 and 1920, amounting to $16,911,366, are included in the deficits shown in Table 22, but are not included in Table 21, as they were paid out of the consolidated revenue of Canada. No interest has been charged on appropriations for the Canadian Government railways for any year. Table 21 also includes all loans and advances by the Government to the Canadian National system on notes, bonds and receiver certificates, with accrued simple interest ranging from $3\frac{1}{2}$ p.c. to 6 p.c. These advances have been used to pay operating deficits, interest due to the public, also for construction of new lines, equipment, etc., as shown in Table 22.

In computing the public debt of Canada the Finance Department considers these railway appropriations and advances in the same way as investments in canals, public works, etc., *i.e.*, as "non-active assets", and as such does not subtract them from the gross debt in computing the net debt; similarly, no interest is charged by the Finance Department on the railway advances, although the railways debit their accounts with the accrued interest.

The debt due to the public includes debenture stock maturing and perpetual, and bonds and mortgages of the constituent railways, but does not include the capital stock of the Grand Trunk railway held by the Government, nor the cost of acquiring the same. Likewise it does not include the capital stock of the Canadian Northern system. The stock of the Grand Trunk Pacific is all held by the Canadian National system and is therefore not included either.

The figures in Tables 21 and 22 do not include any Central Vermont data. Loans and advances received by the Canadian National railways from the Dominion Government and advanced by the Canadian National to the Central Vermont are shown as charges against the Canadian National railways.

The total debt at the end of 1927 was $981,381,736 to the public and $1,258,096,742 to the Government. In addition to the actual loans and advances by the Government amounting to $595,538,350, this sum of $1,258,096,742 includes not only the unpaid interest of $226,142,005 already referred to, but $436,416,387 spent on the construction and purchase of lines forming the original Canadian Government railways. As the book value of these properties is included on the asset side of the balance sheet, the cost of these roads to the Dominion is included in the liabilities of the system as an offset. The construction or purchase of these roads was financed by the Dominion from the Consolidated Revenue Fund, and while for book-keeping purposes their cost is set up as a system liability, they are not a debt and carry no interest obligation.

The aggregate increase in the principal of the debt during the nine years as shown in Table 21 was $858,273,233, of which $208,417,770 was an increase in debt