The Debt and Interest Charges of the Canadian National Railways.— The two tables which follow analyse the increase in the debt and interest charges of the system, including both Canadian and United States lines. The first table (22) shows to whom the liabilities which have accumulated up to 1929 are payable and the second (23) the purposes for which the funds representing the annual increases in liabilities were used. To define clearly what is included under debt due to the Dominion Government in Table 22, the appropriations for the Canadian Government Railways have been separated from the loans and advances to the remainder of the system. The Canadian Government Railways include the Intercolonial, National Transcontinental, Prince Edward Island and several other smaller railways in the Eastern Provinces, together with the Quebec Bridge. The Hudson Bay Railway was included in the Canadian Government Railways until 1926, when it was transferred back to the Department of Railways and Canals for completion, while appropriations on its account were deducted. These Canadian Government Railways appropriations do not include the operating deficits of the Canadian Government Railways for 1919 and 1920 nor the deficits of the Eastern Lines since July 1, 1927, but include investments for construction, purchase and working capital of the Canadian Government Railways and the operating deficits of these railways since their consolidation with the system in 1921, except as already mentioned. 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.

In a rather different class are the loans and advances made by the Government to the Canadian National Railways or constituent companies on notes, bonds and receiver certificates with accrued simple interest ranging from 3 to 6 p.c. In computing the public debt of Canada the Finance Department considers these railway loans and advances as "non-active assets" similar to investments in canals, public works, etc., 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. The railways, however, debit their accounts with the accrued interest on these Government advances, although none of this interest has been paid.

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