

All stock ownership of the various railways was placed under the control of the Canadian National Railway Company, the Government in turn receiving stock of the latter company.

A great deal of confusion has been evident when the liability accounts of the National Railways and those of the Dominion were brought together, and to avoid duplication in future, the Act provided that liabilities of the National Railways to the Government (excepting temporary financing) will be shown under the descriptive heading of "Dominion Government—Proprietor's Equity"; this is because such liabilities are all included in the net debt of Canada. At Jan. 1, 1937, this account appears as follows:—

Dominion Government—Proprietor's Equity—	
1,000,000 shares of no-par value capital stock of the Canadian National Railway Company issued in exchange for residual value of Canadian Northern Capital stock.....	\$ 18,000,000·00
5,000,000 shares of no-par value capital stock issued by Securities Trust to the Government in consideration of the advances—claims for unpaid interest and collateral held by the Government.....	270,037,437·88
Dominion Government capital expenditures for Canadian Government Railways.....	388,290,263·52
	\$ 676,327,701·40

This new account will reflect annually all capital losses due to abandonments and the like that are not included in the annual deficit of the Railway as submitted to Parliament.

Deficits will be paid from the Consolidated Fund of Canada, in conformity with the provisions of the Canadian National-Canadian Pacific Act, 1936, which provides that deficits shall not be funded. Any temporary assistance by the Government on capital account will be repaid through the proceeds of securities sold by the Canadian National Railways.

Finally, the Act provides that an appendix shall be included in the Public Accounts of Canada to show the historical record of Government assistance to Railways, and a note to this effect will appear on the balance sheet of the Canadian National Railways in connection with the "Proprietor's Equity".

Subsection 3.—Steam Railway Traffic.

In addition to an analysis of passenger and freight traffic statistics for all steam railways, a separate analysis is given of the operations and traffic of the Canadian National Railways, since, being controlled by the Dominion Government, the information is considered of special interest.

Passenger and Freight Traffic.—The maximum volume of passenger traffic, as indicated by passengers carried one mile, was reached in the calendar year 1919 and the maximum of freight traffic in 1928. In recent years both freight and passenger traffic, especially the latter, have been affected by the increase in the use of motor vehicles and this traffic decrease was much aggravated by the general decline in commercial activity after 1929, but improvements were made in 1934, 1935, and 1936.