

Capital Revision of the Canadian National Railways.—The Canadian National Railways Capital Revision Act, c. 22 of the Statutes of 1937, dealt with certain Government liabilities of the system. It created the Canadian National Railways Securities Trust as a medium for maintaining in perpetuity the Government's claims against the system for loans made, amounting to \$643,860,558, and accrued unpaid interest of \$574,781,637. This total of \$1,218,642,195 included a claim of \$43,949,039 for interest on loans not included in the Canadian National accounts. No-par value capital stock of the Securities Trust was issued to the Government in exchange for these claims at an initial stated value equal to the amount of loans used for capital purposes, namely, \$270,037,438. Capital stocks held by the Government were cancelled to the extent of \$247,628,339, and claim for an old loan of the Province of Canada, amounting to \$15,142,633 was abandoned. All stock ownership of the various railways was placed under the control of the Canadian National Railways, the Government in turn receiving stock of the latter company. Table 16 gives the changes effected by the Act in the railway accounts.

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) 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.

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"

16.—Condensed Consolidated Balance Sheet at Dec. 31, 1936, showing Adjustments as of Jan. 1, 1937, as Authorized by the Canadian National Railways Capital Revision Act, 1937.

Item.	As Published Dec. 31, 1936.	Adjustments Authorized by Act.	As Revised Jan. 1, 1937.
	\$	\$	\$
Assets.			
Investments—			
Investment in road and equipment.....	2,095,114,004	-262,770,972	1,832,343,032
Improvements on leased railway property.....	4,248,964	Nil	4,248,964
Miscellaneous physical property.....	59,814,644	"	59,814,644
Totals, Property Investment Account.....	2,159,177,612	-262,770,972	1,896,406,640
Other investments.....	38,375,620	Nil	38,375,620
Totals, Investments.....	2,197,553,232	-262,770,972	1,934,782,260
Current assets.....	67,365,730	Nil	67,365,730
Deferred assets.....	18,633,882	"	18,633,882
Unadjusted debits.....	16,816,125	"	16,816,125
Totals, Assets.....	2,308,368,969	-262,770,972	2,045,597,997