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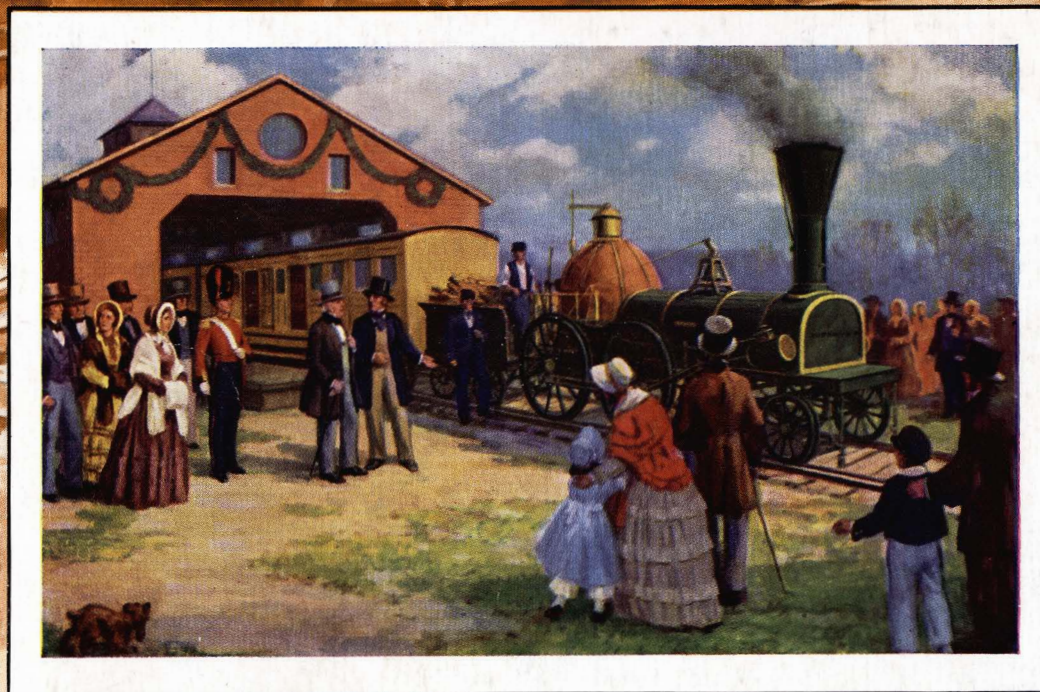
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1947

Annual Report



1847

1947

CANADIAN NATIONAL RAILWAYS



The old and the new in the history of the Canadian National Railways are illustrated in the cover design. The picture in colour is reproduced from a painting by A. Sherriff Scott, R.C.A., which was presented by the Chairman and President to the City of Montreal. It reconstructs the scene when the Montreal and Lachine Rail Road was opened in 1847 and shows Hon. James Ferrier, founder and president of the pioneer railway, inviting Lord Elgin, Governor-General of Canada, to inaugurate the service. Contrasted with the little wood-burning locomotive is one of the new diesels ordered by the Railway in 1947.

CANADIAN NATIONAL RAILWAY SYSTEM



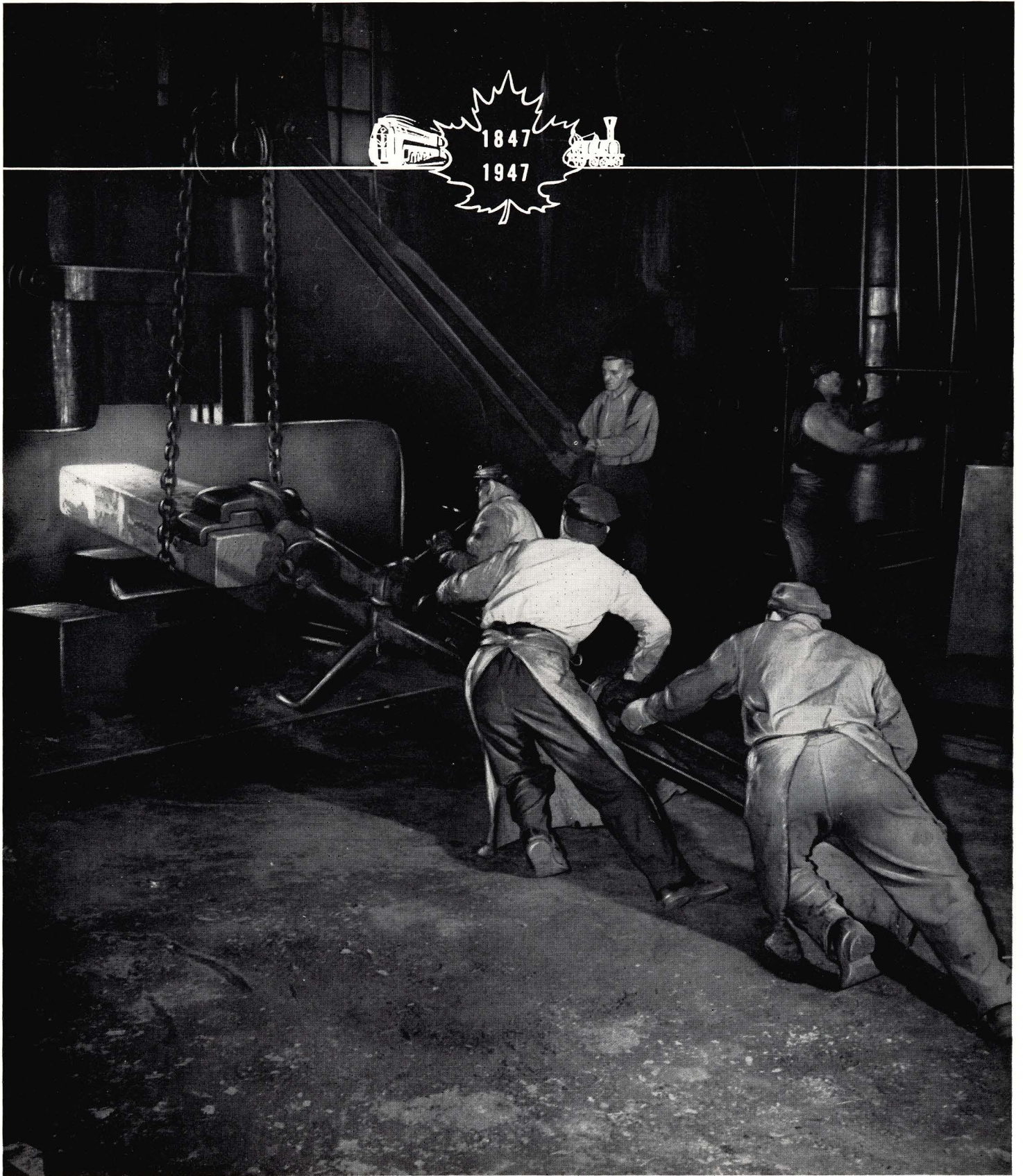
Annual Report

1947

FOR THE YEAR ENDED 31st DECEMBER

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BEHIND the corporate name of the Canadian National Railways stand the 108,440 men and women who make it go. They are the men and women who dispatch and man the trains, build and repair equipment, cook and serve the food, write the letters, send the wires, sell the tickets, pick-up and deliver the freight and express, maintain the roadbed, paint the bridges, steer the ships and do the thousands of things that have to be done to keep such a vast and intricate transportation system in constant, smooth-running gear. The public little realizes the amazing ramifications of the work needed to operate such a railway, work, like that pictured here, of a team of experienced shopmen handling a red-hot billet which is being forged into a locomotive side-rod under the blows of a three-ton steam hammer.

BOARD OF DIRECTORS

<p style="text-align: center;">R. C. VAUGHAN, C.M.G., Chairman, Montreal.</p> <p>WILFRID GAGNON, C.B.E., Montreal H. J. SYMINGTON., C.M.G., K.C., Montreal. B. L. DALY, Montreal.</p>	<p style="text-align: center;">J. A. NORTHEY, Toronto E. J. YOUNG, Dummer, Sask. R. B. BRENAN, Saint John, N.B.</p>
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GENERAL OFFICERS

PRESIDENT	R. C. VAUGHAN, C.M.G.	MONTREAL
VICE-PRESIDENT AND EXECUTIVE ASSISTANT	M. A. METCALF, C.B.E.	MONTREAL
ASSISTANT TO PRESIDENT	G. W. V. SHAW	MONTREAL
SECRETARY	W. H. HOBBS	MONTREAL
OPERATION AND CONSTRUCTION DEPARTMENTS		
EXECUTIVE VICE-PRESIDENT	N. B. WALTON, C.B.E.	MONTREAL
VICE-PRESIDENT, WESTERN REGION	W. R. DEVENISH	WINNIPEG
GENERAL MANAGER, WESTERN REGION	H. H. SPARLING	WINNIPEG
VICE-PRESIDENT AND GENERAL MANAGER, CENTRAL REGION	J. F. PRINGLE	TORONTO
VICE-PRESIDENT AND GENERAL MANAGER, ATLANTIC REGION	J. P. JOHNSON	MONCTON
VICE-PRESIDENT AND GENERAL MANAGER, GRAND TRUNK WESTERN RAILROAD	C. A. SKOG	DETROIT
GENERAL MANAGER, CENTRAL VERMONT RAILWAY	J. A. ROGERS	ST. ALBANS
CHIEF ENGINEER	B. WHEELWRIGHT	MONTREAL
CHIEF OF MOTIVE POWER AND CAR EQUIPMENT	E. R. BATTLE	MONTREAL
CHIEF OF TRANSPORTATION	S. F. DINGLE	MONTREAL
ACCOUNTING DEPARTMENT		
VICE-PRESIDENT AND COMPTROLLER	T. H. COOPER	MONTREAL
FINANCIAL DEPARTMENT		
VICE-PRESIDENT AND TREASURER	C. D. COWIE	MONTREAL
TRAFFIC DEPARTMENT		
VICE-PRESIDENT	ALISTAIR FRASER	MONTREAL
GENERAL FREIGHT TRAFFIC MANAGER	JOHN PULLEN	MONTREAL
GENERAL PASSENGER TRAFFIC MANAGER	A. A. GARDINER	MONTREAL
LAW DEPARTMENT		
GENERAL COUNSEL	N. J. MACMILLAN	MONTREAL
PURCHASING AND STORES DEPARTMENTS		
VICE-PRESIDENT	D. McK. FORD	MONTREAL
GENERAL PURCHASING AGENT	E. A. BROMLEY	MONTREAL
MANAGER OF STORES	S. D. SNEDDON	MONTREAL
RESEARCH AND DEVELOPMENT DEPARTMENT		
VICE-PRESIDENT	S. W. FAIRWEATHER	MONTREAL
CHIEF OF RESEARCH	J. E. GIBAULT	MONTREAL
CHIEF OF DEVELOPMENT	M. W. MAXWELL	MONTREAL
PUBLIC RELATIONS, PUBLICITY, ADVERTISING		
DIRECTOR	W. S. THOMPSON, C.B.E.	MONTREAL
EXPRESS DEPARTMENT		
GENERAL MANAGER	*F. N. WIGGINS	MONTREAL
SLEEPING AND DINING CAR DEPARTMENT		
MANAGER	W. W. SWINDEN	MONTREAL
INVESTIGATION DEPARTMENT		
DIRECTOR	G. A. SHEA, O.B.E.	MONTREAL
REAL ESTATE DEPARTMENT		
MANAGER	L. C. GROOM	MONTREAL
COLONIZATION AND AGRICULTURE DEPARTMENT		
DIRECTOR	J. S. MCGOWAN	MONTREAL
DEPARTMENT OF LABOUR RELATIONS		
DIRECTOR	R. C. JOHNSTON	MONTREAL
HOTEL DEPARTMENT		
GENERAL MANAGER	R. SOMMERVILLE	OTTAWA
CANADIAN NATIONAL TELEGRAPHS		
GENERAL MANAGER	W. M. ARMSTRONG	TORONTO
MEDICAL DEPARTMENT		
CHIEF MEDICAL OFFICER	DR. K. E. DOWD	MONTREAL
EUROPEAN MANAGER		
	J. B. THOM	LONDON
EUROPEAN SECRETARY AND TREASURER		
	A. H. CONEYBEARE	LONDON

*Succeeded G. E. Bellerose who retired on pension March 1, 1948



RESULT OF 1947 OPERATIONS

CONSOLIDATED INCOME ACCOUNT

	1947	1946
RAILWAY OPERATING REVENUES:		
Freight	\$342,582,002.68	\$300,313,198.90
Passenger	43,017,689.66	50,128,223.16
Mail	4,583,160.69	4,275,981.70
Express	21,251,783.81	19,579,478.94
Commercial Telegraphs	7,701,419.90	7,353,600.20
All other	19,061,923.26	18,935,542.99
TOTAL OPERATING REVENUES	\$438,197,980.00	\$400,586,025.89
RAILWAY OPERATING EXPENSES:		
Maintenance of Way and Structures	\$ 75,250,984.34	\$ 67,156,485.69
Maintenance and Depreciation of Equipment	79,770,248.07	73,733,329.72
Traffic	7,708,115.19	7,092,888.80
Transportation	210,440,476.20	185,353,576.11
Miscellaneous Operations	4,261,831.12	4,709,676.65
General	19,690,952.08	19,190,761.32
TOTAL OPERATING EXPENSES	\$397,122,607.00	\$357,236,718.29
NET OPERATING REVENUE	\$ 41,075,373.00	\$ 43,349,307.60
Taxes	9,887,322.86	7,122,247.83
Equipment Rents—Net Debit	7,038,883.51	4,145,828.24
Joint Facility Rents—Net Debit	438,543.41	522,284.33
NET RAILWAY OPERATING INCOME	\$ 23,710,623.22	\$ 31,558,947.20
OTHER INCOME:		
Income from Lease of Road and Equipment	\$ 64,069.27	\$ 59,505.15
Miscellaneous Rent Income	944,114.61	930,662.24
Income from Non-transportation Property	662,834.32	615,265.13
Hotel Operating Income	1,290,719.90	1,102,082.63
Dividend Income	224,761.00	530,446.55
Interest Income	3,507,008.43	3,672,202.10
Miscellaneous Income	641,333.47	235,440.99
TOTAL OTHER INCOME	\$ 7,334,841.00	\$ 7,145,604.79
DEDUCTIONS FROM INCOME:		
Rent for Leased Roads and Equipment	\$ 748,013.72	\$ 975,745.93
Miscellaneous Rents	531,079.00	547,925.15
Miscellaneous Taxes	125,458.94	124,656.72
Results of Separately Operated Properties—Loss—Profit	600,251.68	337,968.71
Interest on Unfunded Debt	295,863.51	491,096.99
Amortization of Discount on Funded Debt	1,057,669.28	537,376.48
Miscellaneous Income Charges	457,917.93	1,130,154.79
Profit and Loss Items— <i>Net Credit</i>	709,940.02	483,962.28
TOTAL DEDUCTIONS FROM INCOME	\$ 3,106,314.04	\$ 2,985,025.07
NET INCOME AVAILABLE FOR PAYMENT OF INTEREST	\$ 27,939,150.18	\$ 35,719,526.92
Interest on Funded Debt—Public	23,821,909.61	23,358,514.18
Interest on Government Loans	20,002,434.85	21,322,583.23
<i>Deficit</i>	\$ 15,885,194.28	\$ 8,961,570.49



CANADIAN NATIONAL RAILWAYS

Montreal, March 10, 1948.

THE HONOURABLE LIONEL CHEVRIER, K.C., M.P.,
MINISTER OF TRANSPORT,
OTTAWA.

Sir:

The following report is submitted of the operations of the Canadian National Railways for the calendar year 1947.

The magnitude of the work carried on year after year for the people of Canada by the System, in all its branches, and its importance as a primary factor in the national economy, were again demonstrated in 1947, when the Railway handled the heaviest volume of peacetime traffic in its history. The number of tons of freight carried, 86,221,279 tons, was nearly double the tonnage of 1939 and was even greater than that of any of the busiest years of the war.

This vast work was accomplished in spite of the handicaps caused by the continent-wide shortage of car equipment and was made possible by close attention to operating performance and by the co-operation of shippers. Maximum loading requirements introduced during the war were continued. Gross and net train loadings, the average car load and freight car miles per day were improved as compared with 1946 or any year before the war.

The business of the Canadian National Express and the Canadian National Telegraphs was greater than in any other year. The Company's twelve hotels continued to be operated at high levels of patronage.

The Company's property was maintained according to safety standards and some progress was made in carrying out repairs and renewals to equipment which had been deferred because of shortages of labour and materials. There is still, however, a backlog of deferred maintenance.

The following is a summary of the financial returns. The full income statement appears on the opposite page.

	1947	1946
Operating revenues.....	\$438,197,980.00	\$400,586,025.89
Operating expenses.....	397,122,607.00	357,236,718.29
Net operating revenue.....	\$ 41,075,373.00	\$ 43,349,307.60
Taxes, equipment rents, and other income accounts.....	13,136,222.82	7,629,780.68
Available for payment of interest.....	\$ 27,939,150.18	\$ 35,719,526.92
Interest on bonds held by the public.....	23,821,909.61	23,358,514.18
Available for payment of Government interest.....	\$ 4,117,240.57	\$ 12,361,012.74
Government interest.....	20,002,434.85	21,322,583.23
<i>Deficit</i>	\$ 15,885,194.28	\$ 8,961,570.49

GROSS REVENUES for 1947 were \$438,197,980. This amount was only a fraction below the revenues of 1943 and 1944, when wartime traffic was at its peak.



PASSENGER REVENUES amounted to \$43,017,690, a decrease of \$7,110,533 as compared with 1946 and of \$26,758,567 as compared with the wartime peak, but an increase of \$25,200,570 over 1939. While there was a reduction in passenger traffic as a whole in 1947, holiday travel increased. The Railway did its part in promoting the tourist industry and took full advantage of every opportunity to procure its full share of this increasing business.

FREIGHT REVENUES amounted to \$342,582,003, an increase of \$42,268,804 over 1946 and of \$17,682,280 over the wartime peak year.

Approximately \$21,000,000 in freight revenue resulted from orders of the Interstate Commerce Commission affecting the United States lines of the System, followed by related increases in Canada authorized by the Board of Transport Commissioners in respect of international traffic and competitive import and export traffic through Canadian ports. As a temporary measure, the Interstate Commerce Commission granted two increases effective July 1, 1946; one of 6% and the other of 5%. These were cancelled and superseded by a 25% increase as from January 1, 1947. As of October 13, an interim increase of 10% over the rates established in January was authorized. An additional interim increase of 10% was authorized to take effect on January 5, 1948. As these two interim increases are imposed on the previous 25%, in combination they are equal to a second 25% increase over the rates in effect before July, 1946, making a 50% increase in all. Applications by the United States carriers for still further increases are now under investigation by the Interstate Commerce Commission. It will be understood that the percentages referred to are nominal. On some commodities lower increases were granted, the increase applied to all freight averaging 39.1%.

In the same way the so-called 30% increase asked for in Canada would average 20% if applied to all freight; so it will be seen that the application which the Board of Transport Commissioners now has before it from Canadian railroads is for an increase amounting to only half of that already granted to United States railroads.

Hearings on the application by the Railway Association of Canada on behalf of all Canadian railways for an increase in freight rates proceeded throughout the year to December 17, since when the case has been under review by the Board of Transport Commissioners. During the progress of the hearings and following the modification of price control regulations, the Board disallowed a special application seeking authority to increase certain competitive rates in advance of decision on the main application. It is the view of the directors that the Railway should be compensated by increases in rates over and above any now to be granted, to the extent that costs of wages and materials have advanced beyond the levels prevailing at the time of filing the current application.

It is inevitable that with increased business there should be increased expense, but what the railways find burdensome are the increased costs not related to additional traffic but brought about solely by increased wage rates and increased prices for material. For the Canadian National Railways these additional operating costs due to higher wage rates and higher prices for materials, 1947 over 1939, amounted to \$114.5 millions, of which \$73.1 millions was for labour and \$41.4 millions for material.

It will be informative to show in more detail the increased costs which have taken place.

Labour

1947	Number of hours worked	251,110,294	
	Average hourly rate	\$0.952	
	Labour charged to operating expenses		\$239,057,000
1939	Number of hours worked	170,187,536	
	Average hourly rate	\$0.661	
	Hours worked in 1947 at the 1939 average rate		165,984,000
		Increase	\$ 73,073,000-44.02%

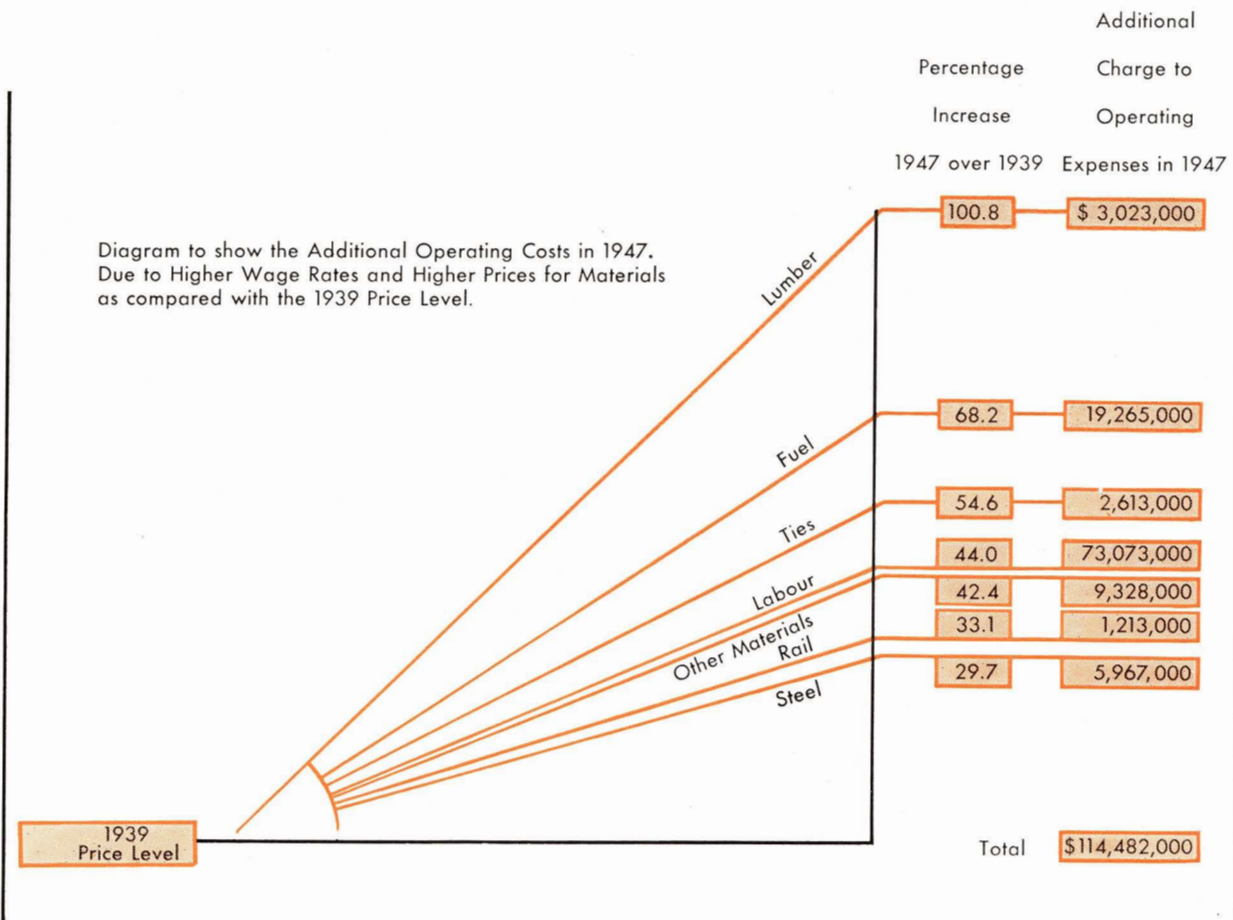
The average compensation per employee in 1947 was \$2,382.31. In 1939 it was \$1,566.05. Since the beginning of the war, therefore, the average compensation has increased by \$816.26 per annum per employee.



Materials

	Unit	December 1939 price	December 1947 price	% Increase
Ties, softwood	each	\$ 0.59	\$ 1.35	128.8
Ties, hardwood	each	0.72	1.45	101.4
Rail	gross ton	47.52	71.37	50.2
Axles, freight car	cwt.	4.21	5.67	34.7
Couplers	each	70.47	110.81	57.2
Steel castings	cwt.	11.07	18.79	69.7
Steel plates, firebox	cwt.	3.10	4.54	46.5
Tires, locomotive	cwt.	5.83	8.86	52.0
Car decking	mfbm	29.00	68.50	136.2
Car sheathing	mfbm	33.00	117.00	254.5
Bridge timber	mfbm	18.00	62.00	244.4
Coal	ton	4.09	7.50	83.4

The significance of an increase of \$3.41 a ton for locomotive coal may perhaps be better realized when it is stated that the Railway used 6,872,000 tons in 1947. The average cost throughout the year for all materials used by the Railway was 50.65% higher than in 1939. Apart from the impact these higher prices have on the costs of operation, they necessitate an enlargement of the Railway's working capital. Materials and supplies on hand at the year-end were valued at \$62,945,537 as compared with \$28,040,296 at December 31, 1939. Some portion of this increase reflects the increased traffic volume.



OPERATING EXPENSES in 1947 totalled \$397,122,607. The usual provision was made for depreciation on rolling stock, the charge for the year being \$16,920,929. Pension costs were \$10,502,481. Eight million dollars was taken from Deferred Maintenance Reserve and credited to expenses. The amount remaining in this reserve at the end of the year was \$25 millions.

EMPLOYEES numbered 108,440 and their payroll for the year was \$258,337,684. Current applications for wage increases and changes in rules in Canada alone would, if granted, add about \$92,000,000 to the operating expenses of the Canadian National Railways. These applications have been declined and are now before boards of conciliation.

OPERATING PERFORMANCE. Operating statistics all indicate a year of intense activity. Freight trains operated over 44 million miles and the tonnage movement exceeded 35,880 million net ton miles. Passenger trains operated 23 $\frac{1}{3}$ million miles. Detailed statistical information is given on page 27 of this report.

NET OPERATING REVENUE (revenues less expenses) was \$41,075,373. In 1940, with \$190 million less revenue, the Railway earned \$4 million more net.

TAXES. The provision made in the accounts for taxes increased \$2,765,075, mainly attributable to a settlement of claims by the cities of Halifax and Saint John, resumption of provincial taxes in Ontario and Quebec on the expiration of the wartime agreement with the Federal Government, and United States retirement and unemployment taxes, which were assessed at a higher rate on an increased payroll.

HIRE OF FREIGHT CARS increased \$2,604,486, attributable to heavier traffic, severe weather in the early part of the year, and an increase in the per diem rate from \$1.15 to \$1.50.

HOTEL OPERATING PROFIT at \$1,290,719 was \$188,637 better than in 1946, due principally to the increased rates for rooms and meals, and capacity business at Jasper Park Lodge.

INTEREST ON BONDS held by the public increased \$463,395 and Government interest decreased \$1,320,149, the net change being mainly due to refinancing at lower interest rates during the past two years.

THE NET INCOME DEFICIT for the year was \$15,885,194.

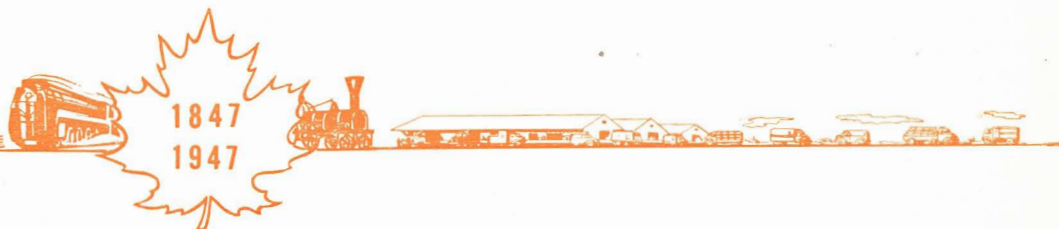
CAPITAL EXPENDITURES

The capital expenditures during the year, other than for new equipment, amounted to \$11,257,154, details of which are given on page 19.

The new line of railway in Quebec from Barraute northerly towards Kiask Falls is about one-half completed and this section should be sufficiently completed for traffic by December 1, 1948.

The construction of the International Aviation Building above track level adjoining the Montreal Central Station is proceeding according to plan. The site has been cleared, the excavation in rock for the foundation columns is approaching completion, the steel-work, now being erected, should be completed by May 1948, and the contract for the building itself has been let. Work is proceeding on the construction of a steam-heating plant to serve the Central Station and the Aviation Building, with provision for the future requirements of the whole development in this area.

The capital expenditures on new equipment delivered in 1947 amounted to \$11,806,427 and included 25 diesel electric locomotives, 6 steam locomotives, 1503 freight cars and 2 coaches. At the end of the year there remained to be delivered 28 coaches, 10 baggage cars and 10 mail and express cars, being the balance of the 1946 programme; 23 diesel electric locomotives, 4,296 freight cars, and 50 express refrigerator cars, being the balance of the 1947 programme.



FINANCE

The capital debt of the Railway increased \$23,369,826 during the year, details of which are given on page 21. In brief, the increase was to finance the 1946 capital budget and to provide Trans-Canada Air Lines with \$18 million additional capital.

GENERAL

The new car ferry *Abegweit* built at Sorel for the service across Northumberland Strait between Borden, P.E.I., and Cape Tormentine, N.B., was taken over for operation on August 11. This vessel, the heaviest ever constructed in Canada, is believed to be the world's largest and most powerful ice-breaking car ferry. She is a quadruple screw motorship, powered by sixteen diesel engines operating two propellers at the stern and two at the bow, and has a service speed of approximately 16 knots. With a gross tonnage of 6,694 tons, the *Abegweit* has a carrying capacity of 19 railway cars, 60 automobiles and 950 passengers, as against the 16 railway cars, 41 automobiles and 800 passengers carried by the *S. S. Charlottetown* which she replaces.

A contract was entered into with Yarrows Limited, of Esquimalt, B.C., for the construction of a twin screw passenger and cargo vessel to replace the former *S. S. Prince George*, destroyed by fire. The new vessel is being built to accommodate 294 first class and 28 second class passengers, will have a cargo capacity of 400 tons and is designed to carry automobiles. Three hundred and fifty feet in length, with a speed of 18 knots, the vessel's gross registered tonnage is 5,700. Launched on October 6, 1947, the vessel was named after its predecessor, the *Prince George*. The main engines (oil-burning) and boilers were installed late in November and the fitting-out period has progressed satisfactorily. It is anticipated that the vessel will be available for service in the early summer, operating from Vancouver to Skagway, Alaska, in summer and to Ketchikan, Alaska, in winter. The *Prince George* is the largest vessel of its type ever constructed on the British Columbia coast.

In 1947 the Canadian National Express handled 20,548,605 shipments, an increase of 1,610,898 or 8.51% over 1946. This was the largest number handled in any year.

Nearly 13,000,000 messages were transmitted by Canadian National Telegraphs, the largest number on record. Business in other services, such as radio programme networks and private leased wires, continued at a high level.

On September 18, the centenary of the Montreal and Lachine Rail Road, now a part of the Canadian National System, was celebrated in the two cities it has linked since 1847. The ceremonies, in which representatives of the Dominion and Provincial Governments, the municipalities of Montreal and Lachine and the Canadian Railroad Historical Association took part, included the unveiling of a bronze plaque in Bonaventure Station by His Excellency The Governor General and of a commemorative cairn at Lachine by a representative of the Premier of Quebec.

Under the terms of the tri-party agreement between the Canadian National, Canadian Pacific and Northern Alberta Railways, dated June 28, 1946, the Canadian National abandoned 12.21 miles of line between Trelle Junction and Morinville, in the province of Alberta, and began joint use of 20.24 miles of the Northern Alberta Railways line between N.A.R. Junction and Morinville on September 1, 1947.

The Research and Development Department continued its investigations of mineral areas, with particular attention to new mining developments. New projects undertaken included surveys of forest and fisheries resources. Studies of industrial localities were continued and an important aspect of the year's work was related to the reoccupation and adaptation to industrial use of wartime plants and structures.

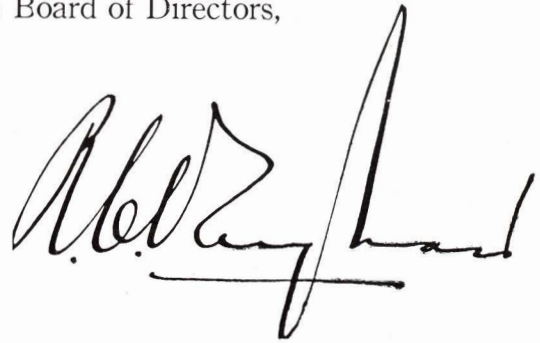


Approximately 73,000 immigrants entered Canada during the year as independent settlers having resources enabling them to become established as workers in the primary industries, or as relatives nominated by Canadians. The Railway's Department of Colonization and Agriculture assisted in the movement and is organized to play an even greater part as immigration grows with the availability of shipping space.

Attention is once more directed to the lack of equality of competitive conditions as between rail and highway transport.

The directors express their appreciation of the loyalty and devotion to duty of the officers and employees throughout the System during the year.

For the Board of Directors,

A handwritten signature in black ink, appearing to read "A. B. Campbell". The signature is written in a cursive style with a prominent vertical stroke on the right side.

Chairman and President.

NOTE:

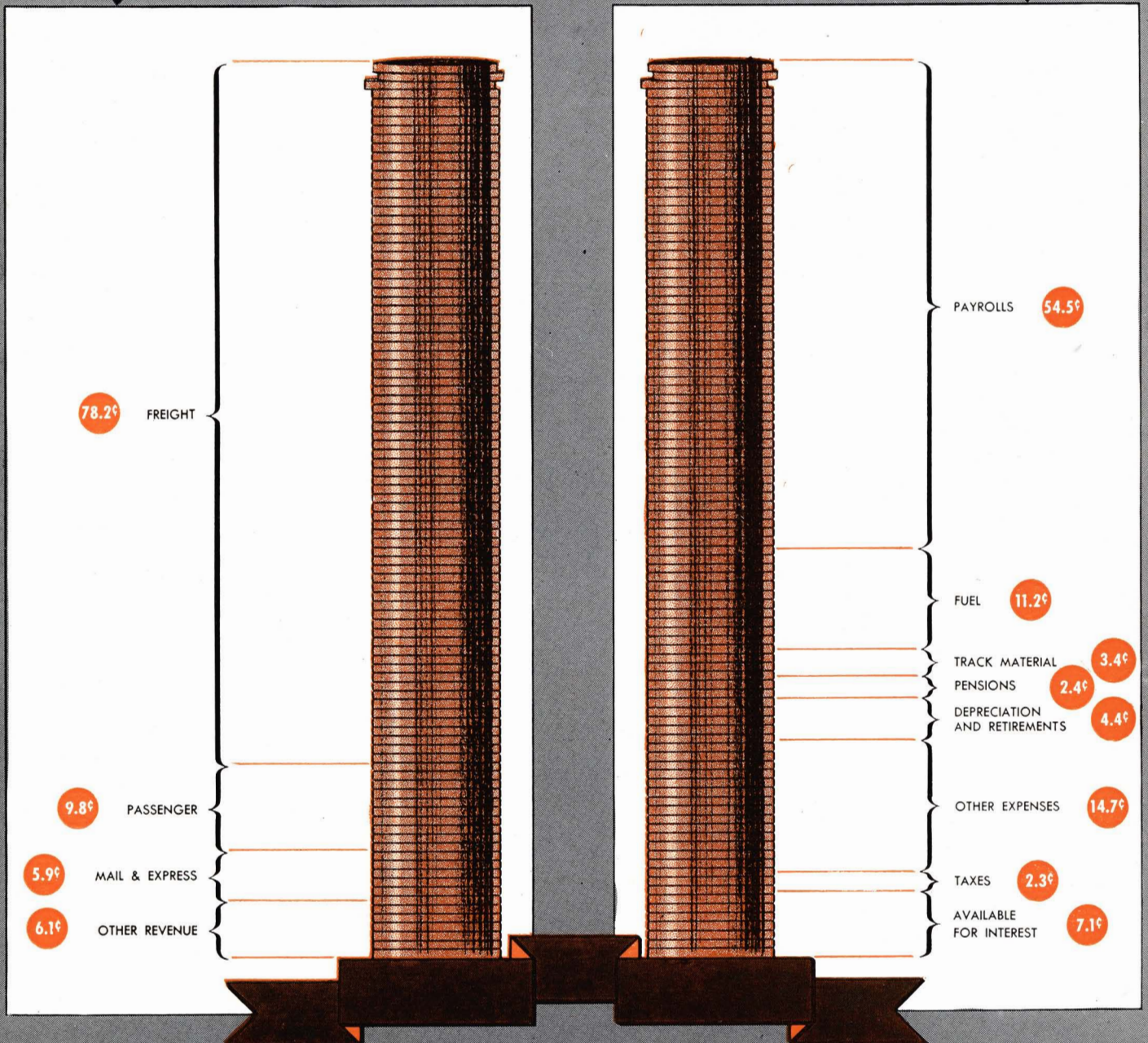
The results of 1947 operations of Trans-Canada Air Lines in both domestic and overseas services are contained in a separate report to Parliament as required by The Trans-Canada Air Lines Act, 1937.



THE CANADIAN NATIONAL DOLLAR

WHERE IT CAME FROM

WHERE IT WENT



CONSOLIDATED BALANCE SHEET

	ASSETS		
INVESTMENTS:			
Road and Equipment Property	\$2,009,365,828.19		
Improvements on Leased Property	2,152,436.91		
Miscellaneous Physical Property	62,363,084.92	\$2,073,881,350.02	
Capital and Other Reserve Funds:			
System Securities at par	\$ 666,500.00		
Other Assets at cost	6,781,396.90	7,447,896.90	
Deferred Maintenance Fund			25,000,000.00
Investments in Affiliated Companies			59,794,603.17
Other Investments:			
System Securities at par	\$ 80,000.00		
Other Assets at cost	874,035.29	954,035.29	\$2,167,077,885.38
CURRENT ASSETS:			
Cash		\$ 13,538,605.15	
Temporary Cash Investments		5,477,649.66	
Special Deposits		5,191,995.19	
Net Balance Receivable from Agents and Conductors		16,708,642.43	
Miscellaneous Accounts Receivable		9,979,480.59	
Trans-Canada Air Lines Advances		1,000,000.00	
Dominion of Canada—Balance due on Railway Deficit		3,885,194.28	
Material and Supplies		62,945,537.23	
Interest and Dividends Receivable		632,048.21	
Accrued Accounts Receivable		3,628,282.95	
Other Current Assets		356,308.35	123,343,744.04
DEFERRED ASSETS:			
Working Fund Advances		\$ 383,586.10	
Insurance Fund:			
System Securities at par	\$ 5,549,904.37		
Other Assets at cost	6,790,864.59	12,340,768.96	
Pension Contract Fund:			
System Securities at par	\$ 4,009,000.00		
Other Assets at cost	36,906,000.00	40,915,000.00	
Other Deferred Assets		2,850,123.59	56,489,478.65
UNADJUSTED DEBITS:			
Prepayments		\$ 71,821.18	
Discount on Funded Debt		4,322,828.22	
Other Unadjusted Debits		2,969,230.70	7,363,880.10
			\$2,354,274,988.17

CERTIFICATE

We have examined the books and records of the companies comprising the The total amount of the Investments in Fixed Properties and Equipment as the several Corporations and the Canadian Government Railways was accepted On the Canadian Lines, depreciation accounting for Equipment has been applied Fixed Properties.

Subject to the foregoing, we certify that, in our opinion, the above Consolidated affairs of the System as at the 31st. December, 1947, and that the relative Income As required by Section 13 of The Canadian National-Canadian Pacific Act, 1936, the year 1947 consists mainly of comments of an explanatory nature regarding deem may be of interest to Parliament.

10th. March, 1948.



AT 31st. DECEMBER, 1947.

LIABILITIES

STOCKS:

Capital Stocks of Subsidiary Companies held by Public \$ 4,570,940.00

LONG TERM DEBT:

Funded Debt Unmatured:

Held by Public \$572,554,357.52
 Held in Special Funds 10,305,404.37 582,859,761.89

DOMINION OF CANADA—LOANS 689,470,348.51

CURRENT LIABILITIES:

Traffic and Car-Service Balances—Credit \$ 11,920,679.59
 Audited Accounts and Wages Payable 21,203,965.16
 Miscellaneous Accounts Payable 6,767,441.33
 Interest Matured Unpaid 4,738,811.97
 Interest Payable to Dominion of Canada 18,858,212.91
 Unmatured Interest Accrued 5,984,356.75
 Accrued Accounts Payable 6,642,662.13
 Taxes Accrued 3,677,647.31
 Other Current Liabilities 1,856,785.42 81,650,562.57

DEFERRED LIABILITIES:

Pension Contract Reserve \$ 40,915,000.00
 Other Deferred Liabilities 5,565,397.93 46,480,397.93

RESERVES AND UNADJUSTED CREDITS:

Insurance Reserve \$ 12,340,768.96
 Accrued Depreciation—Canadian Lines—Equipment only 99,925,359.96
 Accrued Depreciation—U.S. Lines—Road and Equipment 25,120,276.76
 Accrued Amortization of Defence Projects 3,501,861.23
 Deferred Maintenance Reserve 25,000,000.00
 Other Reserves 1,023,474.84
 Other Unadjusted Credits 8,135,334.38 175,047,076.13

DOMINION OF CANADA—PROPRIETOR'S EQUITY—(See Note)

Represented by:—
 1,000,000 shares of no par value capital stock of Canadian National Railway
 Company \$ 18,000,000.00
 5,000,000 shares of no par value capital stock of The Canadian National Railways
 Securities Trust 378,518,135.02
 Capital Expenditures by Dominion of Canada on Canadian Government Railways 377,677,766.12 774,195,901.14

CONTINGENT LIABILITIES:

Major contingent liabilities, as shown on statement attached. \$2,354,274,988.17

NOTE:—The Proprietor's Equity is included in the net debt of Canada and is disclosed in the historical record of Government assistance to railways as shown in the Public Accounts of Canada in accordance with The Canadian National Railways Capital Revision Act, 1937.

T. H. COOPER,
 Vice-President and Comptroller.

OF AUDITORS

Canadian National Railway System for the year ended the 31st. December, 1947, brought into the System accounts at the 1st. January, 1923, from the books of by us.
 only from the 1st. January, 1940, retirement accounting continuing in effect for

Balance Sheet is properly drawn up so as to exhibit a true and correct view of the Account for the year ended the 31st. December, 1947, is correctly stated.
 we have reported to Parliament in respect of our annual audit. Such Report for the financial accounts but also includes references to other matters which we

GEORGE A. TOUCHE & CO.,
 Chartered Accountants.



DOMINION OF CANADA—PROPRIETOR'S EQUITY ACCOUNT

	Balance at 31st. Dec., 1946	Transactions Year 1947	Balance at 31st. Dec., 1947
CAPITAL STOCK OF CANADIAN NATIONAL RAILWAY COMPANY	\$ 18,000,000.00	—	\$ 18,000,000.00
CAPITAL STOCK OF THE CANADIAN NATIONAL RAILWAYS			
SECURITIES TRUST:			
Initial stated value	\$270,037,437.88	—	\$270,037,437.88
Surplus earnings, years 1941-1945	112,502,061.64	—	112,502,061.64
Capital gains	19,105,651.38	—	19,105,651.38
Capital losses	21,241,546.47	\$* 1,885,469.41	23,127,015.88
	\$380,403,604.43	\$ 1,885,469.41	\$378,518,135.02
CAPITAL EXPENDITURES BY DOMINION OF CANADA ON CANADIAN GOVERNMENT RAILWAYS	\$377,614,970.84	\$* 62,795.28	\$377,677,766.12
	\$776,018,575.27	\$ 1,822,674.13	\$774,195,901.14

*Details on page 19.

CAPITALIZATION OF CANADIAN NATIONAL RAILWAYS

	Balance at 31st. Dec., 1947	Percent of Total
EQUITY CAPITAL:*		
Capital Stock of Canadian National Railway Company	\$ 18,000,000.00	
Capital Stock of The Canadian National Railways Securities Trust	378,518,135.02	
Capital Expenditures by Dominion of Canada on Canadian Government Railways	377,677,766.12	\$ 774,195,901.14 37.8%
BORROWED CAPITAL:		
Held by the public	\$582,859,761.89	
Dominion of Canada—Loans	689,470,348.51	1,272,330,110.40 62.2%
	\$2,046,526,011.54	100.0%

*Excluding shares of subsidiary companies held by public—\$4,570,940.



OPERATING REVENUES

	1947	1946
Freight	\$338,440,473.29	\$296,403,320.83
Payments under Maritime Freight Rates Act (20%)	4,141,529.39	3,909,878.07
Passenger	43,017,689.66	50,128,223.16
Baggage	159,926.67	182,522.20
Sleeping Car	3,176,570.61	3,587,104.21
Parlor and Chair Car	303,941.31	284,444.29
Mail	4,583,160.69	4,275,981.70
Railway Express Agency	460,112.11	118,269.78
Express	20,791,671.70	19,461,209.16
Other Passenger-train	19,479.13	41,901.84
Milk	478,090.37	504,275.89
Switching	4,061,705.77	3,334,010.96
Water Transfers	327,782.36	242,268.32
Dining and Buffet	2,488,583.51	3,104,899.44
Restaurants	304,198.06	281,704.48
Station, Train, and Boat Privileges	376,722.87	462,921.99
Parcel Room	94,459.66	118,919.06
Storage—Freight	174,740.50	140,305.04
Storage—Baggage	61,251.47	77,644.73
Demurrage	2,578,673.72	2,270,174.93
Telegraph Commissions (U.S.)	15,500.90	13,580.86
Telegraph—Commercial	7,685,919.00	7,340,019.34
Grain Elevator	293,964.15	205,476.07
Rents of Buildings and Other Property	784,272.74	868,635.14
Miscellaneous	2,662,906.54	2,524,982.72
Joint Facility—Credit	813,608.63	812,390.49
Joint Facility—Debit	98,954.81	109,038.81
	\$438,197,980.00	\$400,586,025.89

OPERATING EXPENSES

MAINTENANCE OF WAY AND STRUCTURES

	1947	1946
Superintendence	\$ 4,840,954.29	\$ 4,467,817.94
Roadway Maintenance	8,940,967.02	8,761,886.50
Tunnels and Subways	62,197.42	51,215.45
Bridges, Trestles, and Culverts	3,330,862.76	2,859,062.67
Ties	7,704,258.03	6,168,103.68
Rails	3,988,418.63	2,825,137.53
Other Track Material	3,155,437.37	2,660,235.82
Ballast	1,683,977.42	1,721,467.58
Track Laying and Surfacing	19,247,121.00	18,381,101.75
Fences, Snowsheds, and Signs	843,287.73	648,759.21
Station and Office Buildings	3,153,298.98	2,801,982.31
Roadway Buildings	353,104.40	362,193.55
Water Stations	633,854.04	563,851.22
Fuel Stations	351,992.46	315,665.52
Shops and Enginehouses	2,340,796.59	2,023,021.72
Grain Elevators	31,741.24	43,447.21
Wharves and Docks	168,346.15	197,504.42
Telegraph and Telephone Lines	1,476,683.02	1,255,079.31
Telegraph—Commercial	1,762,135.87	1,475,967.63
Signals and Interlockers	1,395,017.96	1,219,980.43
Power Plants	45,418.97	17,268.47
Power Transmission Systems	225,189.93	185,378.39
Miscellaneous Structures	3,902.60	2,490.45
Road Property—Depreciation—U.S. Lines	885,430.05	903,079.96
Road Property—Retirements	881,509.63	1,860,910.12
Roadway Machines	767,998.96	642,934.84
Dismantling Retired Road Property	160,393.32	248,973.14
Amortization of Defence Projects	—	2,147.41
Small Tools and Supplies	1,097,950.76	887,800.55
Removing Snow, Ice, and Sand	5,211,918.39	3,192,937.07
Public Improvements—Maintenance	491,985.65	656,394.58
Injuries to Persons	625,460.07	718,369.45
Insurance	26,256.18	28,329.53
Stationery and Printing	94,426.33	79,530.04
Other Expenses	20,394.90	41,343.70
Maintaining Joint Tracks, Yards, etc.—Debit	1,046,479.08	909,722.71
Maintaining Joint Tracks, Yards, etc.—Credit	1,876,138.16	2,084,511.95
Right of Way Expenses	77,955.30	59,905.78
	\$ 75,250,984.34	\$ 67,156,485.69



OPERATING EXPENSES (Continued)

MAINTENANCE OF EQUIPMENT

	1947	1946
Superintendence	\$ 1,934,402.08	\$ 1,782,438.48
Shop Machinery	2,741,996.35	2,216,834.46
Power Plant Machinery	188,884.32	133,788.39
Machinery—Retirements	229,112.85	371,828.28
Machinery—Depreciation—U.S. Lines	67,505.36	66,352.14
Dismantling Retired Machinery	7,985.36	4,345.76
Steam Locomotives—Repairs	26,367,192.23	23,160,658.70
Other Locomotives—Repairs	472,660.21	386,951.98
Freight-train Cars—Repairs	21,939,842.15	19,060,111.97
Passenger-train Cars—Repairs	12,009,531.49	10,559,617.41
Floating Equipment—Repairs	502,682.89	483,483.83
Work Equipment—Repairs	2,688,872.93	2,239,503.28
Express Equipment—Repairs	242,555.77	226,514.32
Miscellaneous Equipment—Repairs	239,453.96	209,953.42
Miscellaneous Equipment—Retirements	10,189.79	11,154.35
Dismantling Retired Equipment	139,136.38	79,149.70
Equipment—Depreciation	16,920,929.13	17,701,420.95
Express Equipment—Depreciation	180,881.07	170,773.90
Injuries to Persons	629,673.92	527,141.28
Insurance	43,679.41	31,396.38
Stationery and Printing	78,214.76	63,278.45
Other Expenses	12,362.68	47,555.34
Joint Maintenance of Equipment—Debit	344,209.78	412,118.29
Joint Maintenance of Equipment— <i>Credit</i>	221,706.80	213,041.34
Deferred Maintenance—Equipment	8,000,000.00	6,000,000.00
	<u>\$ 79,770,248.07</u>	<u>\$ 73,733,329.72</u>

TRAFFIC

Superintendence	\$ 2,563,871.38	\$ 2,394,625.68
Outside Agencies	3,301,452.06	3,139,627.52
Advertising	914,598.05	729,962.98
Traffic Associations	138,281.18	124,634.02
Stationery and Printing	370,485.21	329,271.27
Industrial Bureau	162,650.38	138,375.29
Colonization, Agriculture and Natural Resources	256,776.93	236,392.04
	<u>\$ 7,708,115.19</u>	<u>\$ 7,092,888.80</u>

TRANSPORTATION

Superintendence	\$ 4,396,299.30	\$ 4,105,576.51
Dispatching Trains	2,403,190.11	2,313,357.02
Station Employees	29,520,061.13	27,621,315.08
Weighing, Inspection, and Demurrage Bureaus	114,217.49	130,763.83
Coal and Ore Wharves	53,132.90	78,885.12
Station Supplies and Expenses	2,161,786.44	1,806,146.24
Yardmasters and Yard Clerks	5,704,768.21	5,256,575.69
Yard Conductors and Brakemen	10,405,411.00	9,304,920.39
Yard Switch and Signal Tenders	964,415.81	907,568.58
Yard Enginemen	6,373,538.52	5,871,797.48
Yard Motormen	1,016,493.58	762,186.62
Yard Switching Fuel	8,195,195.03	6,457,988.44
Yard Switching Power Produced	16,212.60	16,216.95
Yard Switching Power Purchased	95,253.61	83,300.13
Water for Yard Locomotives	218,394.36	228,337.42
Lubricants for Yard Locomotives	104,478.40	91,655.52
Other Supplies for Yard Locomotives	79,783.56	64,643.58
Enginehouse Expenses—Yard	2,440,970.60	2,237,604.10
Yard Supplies and Expenses	225,217.80	207,415.36
Operating Joint Yards and Terminals—Debit	2,222,772.22	1,909,538.93
Operating Joint Yards and Terminals— <i>Credit</i>	2,208,534.26	2,087,574.92
Train Enginemen	17,551,318.84	16,035,536.72
Train Motormen	178,054.36	133,665.09
Train Fuel	40,900,739.83	32,185,554.37
Train Power Produced	4,690.34	5,309.93
Train Power Purchased	58,038.70	49,531.11
Water for Train Locomotives	1,488,387.11	1,415,603.09
Lubricants for Train Locomotives	664,488.21	595,205.92
Other Supplies for Train Locomotives	382,989.36	331,374.48
Carried Forward	<u>\$135,731,765.16</u>	<u>\$118,119,998.78</u>



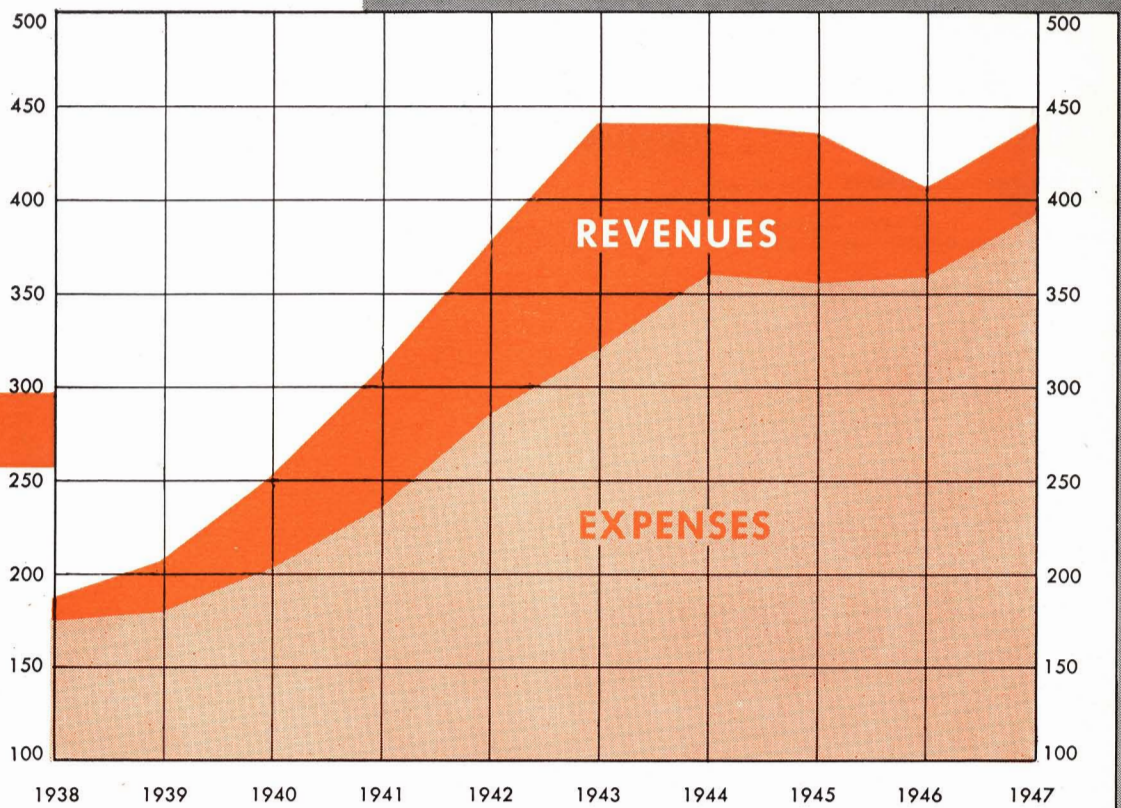
OPERATING EXPENSES (Continued)

TRANSPORTATION (Continued)	1947	1946
Brought Forward	\$135,731,765.16	\$118,119,998.78
Enginehouse Expenses—Train	6,850,009.39	6,379,506.62
Trainmen	20,523,147.49	18,710,228.33
Train Supplies and Expenses	13,083,400.27	11,445,162.14
Operating Sleeping Cars	2,158,181.92	2,150,487.70
Signal and Interlocker Operation	683,722.20	650,174.62
Crossing Protection	984,908.49	979,709.04
Drawbridge Operation	173,046.27	166,447.98
Telegraph and Telephone Operation	480,888.75	464,575.98
Telegraph—Commercial	6,251,398.21	5,798,271.25
Operating Floating Equipment	1,319,354.00	1,265,123.95
Express	12,790,800.30	11,117,190.76
Stationery and Printing	951,961.01	795,388.85
Other Expenses	1,900,191.98	1,505,911.48
Operating Joint Tracks and Facilities—Debit	1,228,652.86	1,102,710.56
Operating Joint Tracks and Facilities— <i>Credit</i>	513,714.22	494,378.63
Insurance	16,504.93	21,676.65
Clearing Wrecks	590,922.61	496,239.06
Damage to Property	135,038.97	99,436.65
Damage to Live Stock on Right-of-Way	89,983.27	76,434.34
Loss and Damage—Freight	2,790,464.18	2,318,846.70
Loss and Damage—Baggage	10,679.58	16,416.69
Injuries to Persons	2,209,168.58	2,168,016.61
	\$210,440,476.20	\$185,353,576.11
MISCELLANEOUS		
Dining and Buffet Service	\$ 3,753,190.08	\$ 4,193,154.21
Restaurants	307,144.24	280,544.06
Grain Elevators	155,626.58	195,697.54
Other Miscellaneous Operations	45,870.22	40,280.84
	\$ 4,261,831.12	\$ 4,709,676.65
GENERAL		
Salaries and Expenses of General Officers	\$ 567,250.20	\$ 539,613.28
Salaries and Expenses of Clerks and Attendants	7,218,837.70	6,904,342.48
General Office Supplies and Expenses	369,338.80	354,481.91
Law Expenses	449,639.62	429,900.22
Relief Department Expenses	27,500.00	27,500.00
Pensions	10,502,481.04	10,446,942.09
Stationery and Printing	314,437.41	280,250.94
Valuation Expenses	15,215.00	15,075.89
Other Expenses	175,981.91	148,898.15
General Joint Facilities—Debit	63,457.31	55,756.14
General Joint Facilities— <i>Credit</i>	13,186.91	11,999.78
	\$ 19,690,952.08	\$ 19,190,761.32



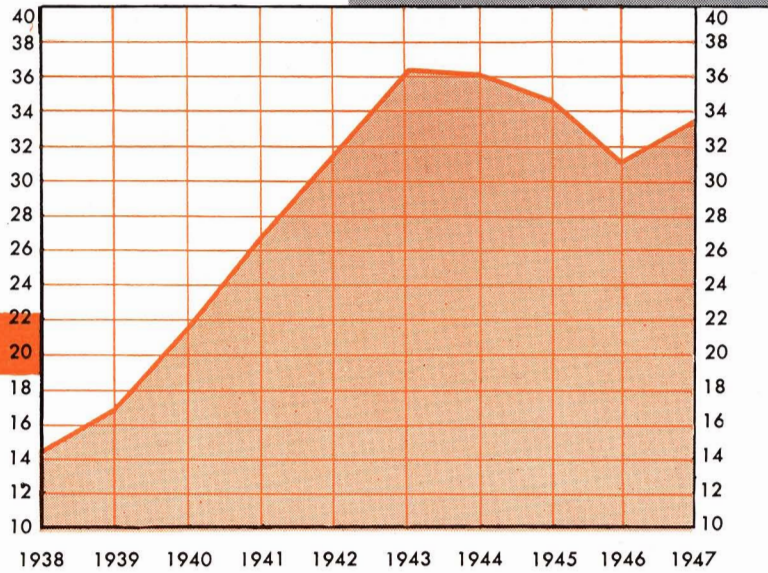
OPERATING REVENUES AND EXPENSES

Millions of Dollars—years 1938 to 1947 inclusive.



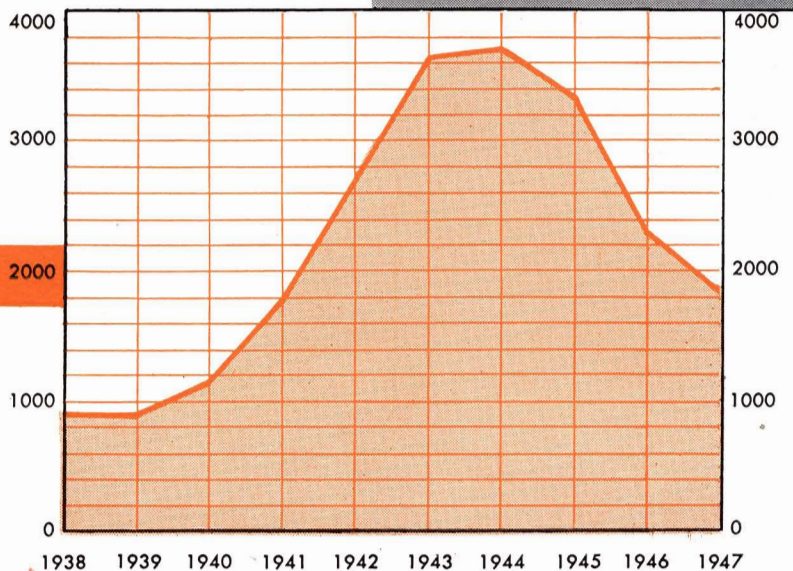
REVENUE TON MILES

Billions of Revenue Ton Miles—years 1938 to 1947 inclusive.



REVENUE PASSENGER MILES

Millions of Revenue Passenger Miles—years 1938 to 1947 inclusive.



PROPERTY INVESTMENT ACCOUNT

Expenditures Year 1947

ROAD:

New Lines Constructed.....	\$ 1,183,283.41	
New Lines Acquired.....	77,012.49	
Abandoned Lines.....	41,990.25	
Rails and Fastenings.....	962,188.60	
Tie Plates and Rail Anchors.....	1,092,280.94	
Ballast.....	524,389.53	
Widening Cuts and Fills, etc.....	265,409.16	
Large Freight Terminals.....	86,484.39	
Large Passenger Terminals.....	419,408.79	
Yard Tracks and Sidings.....	751,690.60	
Roadway Machines.....	376,822.09	
Bridges, Trestles and Culverts.....	547,161.20	
Stations and Station Facilities.....	781,220.33	
Water Supplies.....	153,791.00	
Shops, Enginehouses and Machinery.....	891,435.19	
Docks and Wharves.....	68,657.39	
Automatic Signals and Interlocking Plants.....	83,979.57	
Telegraphs—Railway.....	190,628.88	
Telegraphs—Commercial.....	1,117,746.06	
Stores Department Buildings and Equipment.....	105,263.74	
Land.....	412,337.70	
General.....	347,925.33	\$ 9,572,450.74

EQUIPMENT:

Equipment Purchased or Built.....	\$11,806,427.49	
Equipment Retirements.....	1,751,223.58	
General Betterments to Equipment.....	1,369,671.74	
Equipment Conversions.....	83,248.79	
Express and Miscellaneous Equipment.....	411,238.81	11,752,865.67

HOTELS.....

201,804.74

SEPARATELY OPERATED PROPERTIES.....

1,536,459.88

NET ADDITIONS AND BETTERMENTS DURING 1947.....

\$23,063,581.03

Ledger Balance 1st. January, 1947..... \$2,052,640,443.12

Net Additions and Betterments during the year..... \$23,063,581.03

Abandonment of 12.21 miles, Trelle Jct. to
Morinville, Alberta..... \$ 106,034.46

Sale of Inner Dock Property, Victoria, B.C..... 246,582.22

Equipment Retirements—proportion of ledger
value charged to Proprietor's Equity..... 1,532,852.73 1,885,469.41

Canadian Government Railways:

Construction of aqueduct at Fairview, N.S... \$ 63,045.78

Transfer of property to Department of
National Defence..... 250.50 62,795.28 21,240,906.90

Ledger Balance at 31st. December, 1947..... \$2,073,881,350.02

DOMINION OF CANADA—LOANS

	Principal Outstanding at Dec. 31, 1947	Interest Accrued 1947	Average Interest Rate
Loans for repatriation of U.K. securities.....	\$391,431,960.40	\$13,699,344.41	3.50%
Loans for debt redemption.....	222,576,029.45	5,077,818.78	2.28%
Loans for new rolling stock.....	42,047,355.41	1,123,804.91	2.57%
Loans for investment in T.C.A.....	16,643,022.71	71,614.02	1.00%
Canadian Government Railways—Working Capital at consolidation 1923.....	16,771,980.54	—	
Interest on loans repaid.....	—	29,852.73	
	<u>\$689,470,348.51</u>	<u>\$20,002,434.85</u>	<u>2.90%</u>



FUNDED DEBT — PRINCIPAL AND INTEREST

NAME OF SECURITY	Issuing Company	Date of Issue	Date of Maturity	Principal Outstanding at Dec. 31, 1947	Interest Accrued 1947
GUARANTEED BY DOMINION OF CANADA:					
5% Perpetual Debenture Stock	G.T.R.	1875 to 1883	Perpetual	\$ 1,473,495.26	\$ 73,925.15
5% G.W. Perp. Debtr. Stock and Bonds	G.T.R.	1858 to 1876	Perpetual	848,406.00	41,585.11
4% Perpetual Debenture Stock	G.T.R.	1883 to 1918	Perpetual	5,954,741.40	236,601.58
4% Nor. Rly. Perpetual Debtr. Stock	G.T.R.	July 31, 1884	Perpetual	27,457.73	1,098.31
3% 1st. Mortgage Bonds	G.T.P.	July 1, 1905	Jan. 1, 1962	26,465,130.00	793,953.90
4% Sterling Bonds	G.T.P.	July 1, 1914	Jan. 1, 1962	7,999,074.00	319,962.96
3% 1st. Mortgage Debenture Stock	Can. Nor.	July 29, 1903	July 10, 1953	1,162,768.33	34,883.04
3½% 1st. Mortgage Debenture Stock	Can. Nor.	Mar. 1910	July 20, 1958	5,636,507.49	197,277.73
3½% 1st. Mortgage Debenture Stock	C.N.A.	Mar. 22, 1911	May 4, 1960	550,726.60	19,275.49
3½% 1st. Mortgage Debenture Stock	C.N.O.	Dec. 8, 1911	May 19, 1961	3,600,262.68	125,507.56
5% 30 Year Guaranteed Bonds	Can. Nat.	Feb. 1, 1924	Feb. 1, 1954	50,000,000.00	2,500,000.00
4½% 30 Year Guaranteed Gold Bonds	Can. Nat.	July 1, 1927	July 1, 1957	64,136,000.00	2,886,120.00
5% 40 Year Guaranteed Gold Bonds	Can. Nat.	Oct. 1, 1929	Oct. 1, 1969	57,728,500.00	2,886,425.00
5% 40 Year Guaranteed Gold Bonds	Can. Nat.	Feb. 1, 1930	Feb. 1, 1970	17,338,000.00	866,900.00
4¾% 25 Year Guaranteed Gold Bonds	Can. Nat.	June 15, 1930	June 15, 1955	48,496,000.00	2,303,560.00
4½% 25 Year Guaranteed Gold Bonds	Can. Nat.	Feb. 1, 1931	Feb. 1, 1956	67,368,000.00	3,031,560.00
4½% 20 Year Guaranteed Gold Bonds	Can. Nat.	Sept. 1, 1931	Sept. 1, 1951	48,022,000.00	2,160,990.00
3% 17 Year Guaranteed Bonds	Can. Nat.	Feb. 15, 1936	Feb. 15, 1953	25,000,000.00	750,000.00
3% 15 Year Guaranteed Bonds	Can. Nat.	Feb. 1, 1937	Feb. 1, 1952	20,000,000.00	600,000.00
3% 20 Year Guaranteed Bonds	Can. Nat.	Jan. 15, 1939	Jan. 15, 1959	35,000,000.00	1,050,000.00
2¾% 20 Year Guaranteed Bonds	Can. Nat.	Jan. 2, 1947	Jan. 2, 1967	50,000,000.00	1,348,630.14
Total				\$536,807,069.49	\$22,228,255.97
GUARANTEED BY PROVINCE OF BRITISH COLUMBIA:					
4% 1st. Mortgage Debenture Stock	C.N.P.	Nov. 16, 1911	Apr. 2, 1950	\$ 798,055.48	\$ 31,899.02
4½% Terminal Debenture Stock	C.N.P.	1913 and 1914	Apr. 2, 1950	1,154,052.13	51,919.20
Total				\$ 1,952,107.61	\$ 83,818.22
EQUIPMENT TRUST ISSUES:					
2¾% Series "P"	Can. Nat.	Sept. 15, 1938	Ser. 15, 9, '53	\$ 3,100,000.00	\$ 94,989.58
2½% "Q"	Can. Nat.	July 1, 1939	Ser. 1, 7, '49	1,300,000.00	40,625.00
2½% "G.T.W."	G.T.W.	June 1, 1941	Ser. 1, 6, '51	1,988,000.00	59,182.08
2% "R"	Can. Nat.	Dec. 1, 1947	Ser. 1, 12, '57	5,600,000.00	4,116.89
Total				\$ 11,988,000.00	\$ 198,913.55
OTHER ISSUES:					
4% Canada Atlantic 1st. Mtge. Bonds	G.T.R.	Jan. 1, 1905	Jan. 1, 1955	\$ 9,947,934.00	\$ 397,917.36
4% 1st. Mortgage Bonds	Pem. Sou.	Sept. 1, 1906	Sept. 1, 1956	150,000.00	6,000.00
4% 2nd. Mtge. Bonds, Prairie "A"	G.T.P.	Apr. 1, 1905	Apr. 1, 1955	3,574,530.00	142,981.20
4% 2nd. Mtge. Bonds, Mountain "B"	G.T.P.	Apr. 1, 1905	Apr. 1, 1955	3,144,906.00	125,796.24
4% 1st. Mtge. Bonds, "Lake Superior"	G.T.P.	Apr. 1, 1905	Apr. 1, 1955	2,152,008.00	86,080.32
4% Perpetual Cons. Debenture Stock	Can. Nor.	1903 to 1912	Perpetual	3,992,929.66	159,386.72
4% Perpetual Cons. Debenture Stock	C.N.O.	June 21, 1909	Perpetual	890,084.13	35,564.67
4% Perpetual Cons. Debenture Stock	C.N.Q.	Oct. 1906	Perpetual	465,545.33	18,610.68
4% 1st. Mtge. Perp. Debenture Stock	Q & L. St. J.	June 1, 1912	Perpetual	287,289.07	11,491.56
4% 1st. Mortgage Bonds	G.T.W.	Nov. 30, 1900	July 1, 1950	6,527,336.00	261,237.86
4½% 1st. Mortgage Series "A" Bonds	G.T.W.	Jan. 1, 1930	Jan. 1, 1980	400,000.00	18,000.00
4% 1st. Mortgage Gold Bonds	M. & P.L.	Oct. 1, 1900	Oct. 1, 1950	200,000.00	8,000.00
5% Indebtedness to Province of N.B.	Can. Nat.	Sept. 3, 1929	Feb. 15, 1958	380,022.60	19,001.12
Interest on Securities retired in 1947				—	20,854.14
Total				\$ 32,112,584.79	\$ 1,310,921.87
Total Debt held by Public as per Balance Sheet				\$582,859,761.89	\$23,821,909.61

There is included in the above \$10,305,404.37 par value of System Securities held in Special Funds and Accounts. These obligations are stated in Canadian currency, Sterling and United States currencies being converted at the par of exchange. This schedule does not include securities in the Railway treasury or those held by The Canadian National Railways Securities Trust, or by the Dominion Government as collateral.



INVESTMENTS IN AFFILIATED COMPANIES

COMPANY	Total Par Value Outstanding	Owned by Can. Nat. System	
		Par Value	Book Value
STOCKS:			
The Belt Railway Company of Chicago	\$ 3,120,000.00	\$ 240,000.00	\$ 240,000.00
Canadian Government Merchant Marine, Limited	800.00	800.00	800.00
Chicago & Western Indiana Railroad Company	5,000,000.00	1,000,000.00	1,000,000.00
The Detroit & Toledo Shore Line Railroad Company	3,000,000.00	1,500,000.00	1,500,000.00
Detroit Terminal Railroad Company	2,000,000.00	1,000,000.00	1,000,000.00
Northern Alberta Railways Company	625,000.00	312,500.00	312,500.00
(representing amount paid up, i.e. 10%)			
The Ontario Car Ferry Company (Limited)	500,000.00	250,000.00	179,007.53
The Public Markets, Limited	1,150,000.00	575,000.00	575,000.00
Railway Express Agency, Incorporated (no par value)	1,000 shares	6 shares	600.00
The Toronto Terminals Railway Company	500,000.00	250,000.00	250,000.00
The Toledo Terminal Railroad Company	4,000,000.00	387,200.00	387,200.00
Trans-Canada Air Lines	22,600,000.00	22,600,000.00	22,600,000.00
(representing amount paid up, i.e. 90.4%)			
Vancouver Hotel Company Limited	150,000.00	75,000.00	75,000.00
			\$28,120,107.53
BONDS:			
Northern Alberta Railways Co. 1st. Mortgage Bonds	\$31,530,000.00	\$15,765,000.00	\$15,765,000.00
The Toronto Terminals Railway Co. 1st. Mortgage Bonds	25,910,000.00	12,955,000.00	12,955,000.00
			\$28,720,000.00
ADVANCES:			
Chicago & Western Indiana Railroad Company			\$ 2,651,123.59
Northern Alberta Railways Company			125,000.00
The Railroad Credit Corporation			5,555.86
Railway Express Agency, Incorporated			164,684.42
Vancouver Hotel Company Limited			8,131.77
			\$ 2,954,495.64
			\$59,794,603.17

FINANCING

Year 1947

FUNDED DEBT—New Issues			
2¾% Canadian National Railway Company Guaranteed Bonds, due January 2, 1967		\$50,000,000.00	
2% Equipment Trust Certificates, Series "R"—1947, maturing serially to December 1, 1957		5,600,000.00	\$55,600,000.00
FUNDED DEBT—Retirements			
Equipment Trusts—annual principal payments		\$ 3,149,000.00	
Various securities repatriated		14,235.66	3,163,235.66
Increase in Funded Debt			\$52,436,764.34
DOMINION OF CANADA LOANS—New			
Loans for acquisition of Trans-Canada Air Lines Capital Stock		\$16,643,022.71	
Loans to retire Atlantic and St. Lawrence Railroad Stock and various securities repatriated at market value		41,487.29	\$16,684,510.00
DOMINION OF CANADA LOANS—Repaid			
Loans repaid out of proceeds of 2¾% Canadian National Guaranteed Bonds, due January 2, 1967, as above		\$41,932,256.57	
Equipment Hire Purchase—annual principal payments		3,819,190.85	45,751,447.42
Decrease in Dominion of Canada Loans			\$29,066,937.42
Increase in Capital Debt 1947			\$23,369,826.92

The \$50,000,000.00 2¾% Dominion Guaranteed Bonds, maturing January 2, 1967, were sold at a price of 99.68, representing an annual interest cost to the Company of 2.77%, and are callable on any interest payment date on or after January 2, 1964, at par, on sixty days' prior notice. The proceeds were utilized to repay Government loans to the extent of \$41,932,256.57; to cover 1946 Capital Budget requirements to the amount of \$6,710,766.14, and to recoup the Railway Company for subscriptions made to Trans-Canada Air Lines Capital Stock to the amount of \$1,356,977.29.

The issue of \$5,600,000.00 2% Equipment Trust Certificates, Series "R"—1947, dated December 1, 1947, was made to provide for part payment of new equipment costing \$7,549,995.00. The Certificates, which mature serially in 10 annual instalments, were sold at a price of 99.5625, representing an annual interest cost to the Company of 2.085%.

The Company has called for redemption at par on February 1, 1948, \$20,000,000.00 Canadian National Railway Company 3% Dominion Guaranteed Bonds due February 1, 1952, and on February 15, 1948, at par, \$25,000,000.00 Canadian National Railway Company 3% Dominion Guaranteed Bonds due February 15, 1953.



MAJOR CONTINGENT LIABILITIES

TRANS-CANADA AIR LINES:

At 31st. December, 1947, Canadian National Railway Company had subscribed for \$25,000,000 of the Capital Stock of the Air Lines of which \$23,000,000 has been called and \$22,600,000 has been paid in.

NORTHERN ALBERTA RAILWAYS COMPANY:

At 31st. December, 1947, Canadian National Railway Company had subscribed for \$3,125,000 of the Capital Stock of the Railways Company of which \$312,500 has been called and paid in.

THE DETROIT & TOLEDO SHORE LINE RAILROAD COMPANY:

Assumed by Grand Trunk Western Railroad Company as joint and several guarantor by indorsement of principal and interest of \$3,000,000 First Mortgage 4%—50 Year Gold Bonds due 1953.

THE TOLEDO TERMINAL RAILROAD COMPANY:

Assumed by Grand Trunk Western Railroad Company in respect of \$5,800,000 First Mortgage 4½%—50 Year Gold Bonds due 1957. The guarantee is as to interest only and is several and not joint. Grand Trunk Western's proportion is 9.68%.

CHICAGO & WESTERN INDIANA RAILROAD COMPANY:

Assumed by Grand Trunk Western Railroad Company, pursuant to joint supplemental lease dated 1st. July, 1902, between Grand Trunk Western Railway Company and four other proprietary companies. Obligation is for repayment of principal of bonds at their maturity, and of interest as it falls due by way of annual rentals. The Grand Trunk Western's obligation is for one-fifth of the bonds issued for "common" property and the entire amount of bonds issued for its "exclusive" property. The bonds are Consolidated Mortgage 50 Year 4% bonds due 1952 and the amounts outstanding at 31st. December, 1947, are:—

Issued for "common" property	\$39,973,019.39
Issued for "exclusive" property	252,535.36

Assumed by Grand Trunk Western Railroad Company pursuant to joint supplemental lease dated 1st. March, 1936, between Grand Trunk Western Railroad Company and other proprietary companies. Obligation is to pay as rental sinking fund payments sufficient to retire bonds at maturity and interest as it falls due. The Grand Trunk Western's proportion is one-fifth in the absence of default of any of four other tenant companies. The bonds are First and Refunding Mortgage 4¼% Series "D" Sinking Fund Bonds due 1962 and the amount outstanding at 31st. December, 1947, is \$16,393,000.

C.N.R. PENSION PLAN:

Reserves have been set up against contracts in force under the 1935 contractual plan, but not against pensions conditionally accruing under that plan or prior non-contractual plans.

COMPANIES COMPRISING THE CANADIAN NATIONAL RAILWAY SYSTEM

CAPITAL STOCKS OWNED BY DOMINION OF CANADA

Company Number		
1	Canadian National Railway Company	\$ 18,000,000.00
2	The Canadian National Railways Securities Trust	378,518,135.02
		\$396,518,135.02

CAPITAL STOCKS OWNED BY SYSTEM OR PUBLIC

NAME OF ISSUING COMPANY	Owned by Company Number	Capital Stock Issued	Owned by Public
3 Atlantic and St. Lawrence Railroad Company	1	\$ 6,302,340.00	\$ 47,440.00
4 The Bay of Quinte Railway Company	21	1,395,000.00	
5 The Bessemer and Barry's Bay Railway Company	21	125,000.00	
6 The Canadian Express Company	1	1,768,800.00	
7 Canadian National Electric Railways	21	1,750,000.00	
8 Canadian National Express Company	22	1,000,000.00	
9 Canadian National Land Settlement Association	1	—	
10 *Canadian National Railways (France)—francs 30,000,000	1	1,893,573.92	
11 *Canadian National Realities, Limited	21	40,000.00	
12 Canadian National Rolling Stock Limited	1	50,000.00	
13 *Canadian National Steamship Company, Limited	43	15,000.00	
14 Canadian National Telegraph Company	21	500,000.00	
15 *Canadian National Transportation, Limited	1	500.00	
16 The Canadian Northern Alberta Railway Company	21	3,000,000.00	
17 Canadian Northern Manitoba Railway Company	21	250,000.00	
18 The Canadian Northern Ontario Railway Company	21	10,000,000.00	
19 Canadian Northern Pacific Railway Company	21	25,000,000.00	
20 The Canadian Northern Quebec Railway Company	21	9,550,000.00	3,849,200.00
21 The Canadian Northern Railway Company	1	18,000,000.00	
22 The Canadian Northern Railway Express Company, Limited	21	1,000,000.00	
23 Canadian Northern Steamships, Limited	21	2,000,000.00	
24 Canadian Northern System Terminals (Limited)	21	2,000,000.00	
25 Canadian Northern Western Railway Company	21	2,000,000.00	
26 Cannar Oils Limited	1	100.00	
Carried Forward		\$ 87,640,313.92	\$ 3,896,640.00



**COMPANIES COMPRISING THE CANADIAN NATIONAL
RAILWAY SYSTEM (Continued)**

CAPITAL STOCKS OWNED BY SYSTEM OR PUBLIC (CONT'D)

Company Number	NAME OF ISSUING COMPANY	Owned by Company Number	Capital Stock Issued	Owned by Public
	Brought Forward		\$ 87,640,313.92	\$ 3,896,640.00
27	*The Centmont Corporation	29	176,400.00	
28	The Central Ontario Railway	21	3,331,000.00	
29	Central Vermont Railway, Inc.	1	10,000,000.00	
30	Central Vermont Terminal, Inc.	29	5,000.00	
31	*Central Vermont Transit Corporation	27	5,000.00	
32	Central Vermont Transportation Company	27,29	200,000.00	
33	*Central Vermont Warehouse, Inc.	27	5,000.00	
34	The Champlain and St. Lawrence Railroad Company	1	50,000.00	
35	*Consolidated Land Corporation	46	64,000.00	
36	*The Dalhousie Navigation Company, Limited	21	50,000.00	
37	Duluth, Rainy Lake & Winnipeg Railway Company	39	2,000,000.00	
38	Duluth, Winnipeg and Pacific Railroad Company	39	100,000.00	
39	Duluth, Winnipeg and Pacific Railway Company	21	3,100,000.00	
40	*Grand Trunk-Milwaukee Car Ferry Company	46	200,000.00	
41	The Grand Trunk Pacific Branch Lines Company	43	200,000.00	
42	The Grand Trunk Pacific Development Company, Limited	43	3,000,000.00	
43	The Grand Trunk Pacific Railway Company	1	24,940,200.00	
44	The Grand Trunk Pacific Saskatchewan Railway Company	43	20,000.00	
45	*Grand Trunk Pacific Terminal Elevator Company, (Limited)	43	501,000.00	
46	{ Grand Trunk Western Railroad Company (Common)	1	20,000,000.00	
	{ Grand Trunk Western Railroad Company (Preferred)		25,000,000.00	
47	The Great North Western Telegraph Company of Canada (Including \$331,500.00 held in escrow)	14	373,625.00	6,825.00
48	The Halifax and South Western Railway Company	21	1,000,000.00	
49	*Industrial Land Company	46	1,000.00	
50	International Bridge Company	1	1,500,000.00	
51	The James Bay and Eastern Railway Company	21	125,000.00	
52	The Lake Superior Terminals Company Limited	21	500,000.00	
53	The Maganetawan River Railway Company	1	30,000.00	
54	Manitoba Northern Railway Company	1	500,000.00	
55	The Marmora Railway and Mining Company	21	128,600.00	
56	The Minnesota and Manitoba Railroad Company	21	400,000.00	
57	The Minnesota and Ontario Bridge Company	21	100,000.00	
58	Montreal and Province Line Railway Company	27	1,000,000.00	
59	*Montreal and Southern Counties Railway Company	1	500,000.00	165,600.00
60	The Montreal and Vermont Junction Railway Company	29	197,300.00	
61	*Montreal Fruit & Produce Terminal Company, Limited	1	500.00	
62	*The Montreal Stock Yards Company	1	350,000.00	
63	*The Montreal Warehousing Company	1	236,000.00	12,240.00
64	Mount Royal Tunnel and Terminal Company, Limited	21	5,000,000.00	
65	Muskegon Railway and Navigation Company	46	161,293.00	
66	*National Terminals of Canada, Limited	1	2,500.00	
67	National Transcontinental Railway Branch Lines Company	1	500.00	
68	*The Niagara, St. Catharines and Toronto Railway Company	21	925,000.00	
69	*The Niagara, St. Catharines and Toronto Navigation Company (Limited)	68	100,000.00	
70	*The Oshawa Railway Company	1	40,000.00	
71	The Ottawa Terminals Railway Company	1	250,000.00	
72	The Pembroke Southern Railway Company	1	107,800.00	
73	Prince George, Limited	1	10,000.00	
74	*Prince Rupert, Limited	1	10,000.00	
75	The Quebec and Lake St. John Railway Company	21	4,508,300.00	489,160.00
76	The Qu'Appelle, Long Lake and Saskatchewan Railroad and Steamboat Company	21	201,000.00	
77	*Rail & River Coal Company	1	2,000,000.00	
78	St. Boniface Western Land Company	21	250,000.00	
79	The St. Charles and Huron River Railway Company	21	1,000.00	
80	St. Clair Tunnel Company	1	700,000.00	
81	*The Thousand Islands Railway Company	1	60,000.00	
82	†Trans-Canada Air Lines	1	22,600,000.00	
83	The United States and Canada Rail Road Company	1	219,400.00	475.00
84	Vermont and Province Line Railroad Company	1	200,000.00	
85	The Winnipeg Land Company Limited	21	100,000.00	
			\$224,976,731.92	\$ 4,570,940.00

The Income Accounts of Companies indicated (*) are included in the System Income Account as "Separately Operated Properties."

†Treated as an Affiliated Company.



RAILWAY EQUIPMENT

	December 31, 1946	Additions During Year	Retirements During Year	Conversions During Year		December 31, 1947
				Added	Retired	
LOCOMOTIVES:						
Passenger—Freight.....	1,967		24		8	1,935
Switching.....	522	6		8		536
Electric.....	24					24
Diesel Electric.....	50	25				75
Total.....	2,563	31	24	8	8	2,570
FREIGHT EQUIPMENT:						
Box Cars.....	70,692	954	630		310	70,706
Flat Cars.....	5,312		30		88	5,194
Stock Cars.....	3,029		22			3,007
Coal Cars.....	15,562	250	97		24	15,691
Tank Cars.....	141				1	140
Refrigerator Cars.....	3,198	299	22			3,475
Caboose Cars.....	1,613		23	24		1,614
Other Cars in Freight Service.....	10		5	3		8
Total.....	99,557	1,503	829	27	423	99,835
PASSENGER EQUIPMENT:						
Coach Cars.....	1,145	2	38		24	1,085
Combination Cars.....	266		5	13		274
Dining Cars.....	96		10		1	85
Colonist Cars.....	189		1		19	169
Parlor Cars.....	50			11		61
Cafe Cars.....	28				1	27
Sleeping Cars.....	298		1			297
Tourist Cars.....	47					47
Baggage and Express Cars.....	1,050		14			1,036
Postal Cars.....	49					49
Unit Cars.....	37		2			35
Other Cars in Passenger Service.....	58				5	53
Total.....	3,313	2	71	24	50	3,218
WORK EQUIPMENT:						
Cars in Work Service.....	7,462	19	317	423	1	7,586
FLOATING EQUIPMENT:						
Car Ferries.....	8					8
Barges.....	5					5
Tugs.....	4					4
Work.....	3					3



Comfortable, reclining and rotating lounge chairs are features of the new type parlor cars built in the Company's shops and put into service in 1947. The wide, full-vision windows are double glazed to prevent fogging. An innovation is the ladies' lounge which has a dressing table, three-way mirror, purse shelf and swivel vanity chair. Some of these cars are also equipped for buffet service.



Double power unit diesel-electric road switcher for light service on Prince Edward Island.

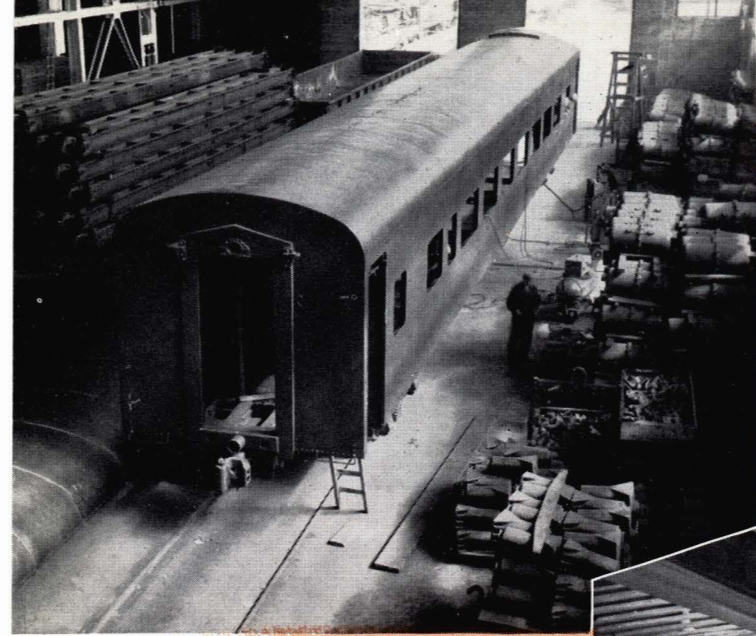


Diesel-electric switcher for general yard work.



One of the new triple unit diesel electric locomotives on order.

The Canadian National, which pioneered in the use of diesel-electric motive power in Canada as far back as 1925, added a large number of this type of locomotive to its equipment roster in 1947. Included in the orders were diesels for switching service, diesel motor units for local services throughout the country, including the whole of Prince Edward Island. Towards the close of 1947, the Company placed orders for two multiple unit diesel electric locomotives, the largest and most powerful locomotives of their kind ever bought for service in Canada. They will be put into general main line service when they are delivered during 1948.

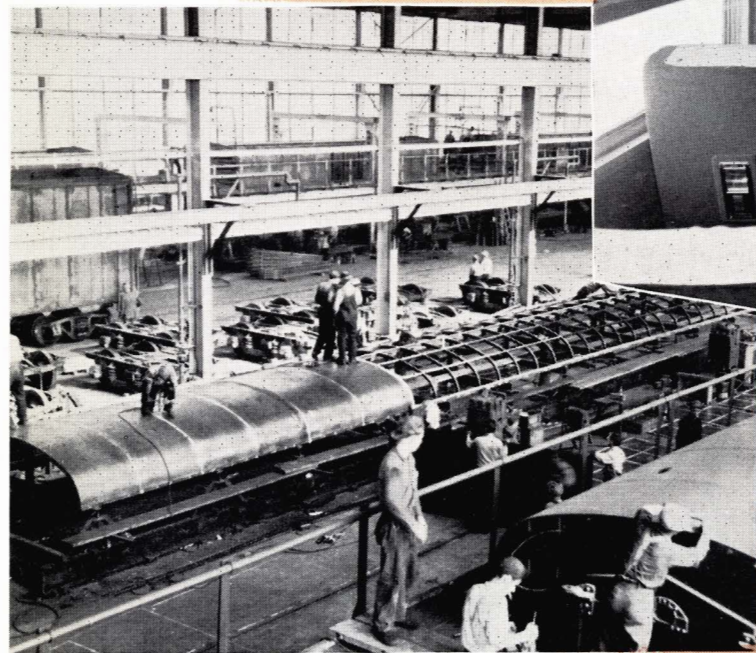


A new passenger coach nearing completion.



Interior of one of the new all-steel passenger coaches showing the latest type "Sleepy Hollow" adjustable seats; wider windows and improved lighting arrangements.

Below—Early stage in the construction of a new all-steel passenger coach.



During 1947, the Company made progress with its programme to modernize and to put new units of all-steel equipment into passenger train service. New passenger coaches (the public knows them as "day coaches"), all of them embodying many features designed to increase the comfort and safety of travel, were placed in service. An extensive modernization programme, largely carried out in our own shops, provided the Company with new types of sleeping cars, dining cars, buffet-chair cars and bedroom-buffet-lounge cars (popularly called "observation cars") that won the approval of the travelling public.

Workmen putting the final touches on one of the new buffet-chair cars.

STATISTICS OF RAIL-LINE OPERATIONS

	1947	1946
TRAIN-MILES:		
Freight Service	44,027,737	41,817,432
Passenger Service	23,346,277	23,581,125
Total	67,374,014	65,398,557
Work Service	1,804,867	1,583,828
Total	69,178,881	66,982,385
LOCOMOTIVE-MILES:		
Freight Service	46,793,909	44,374,635
Passenger Service	23,318,818	23,380,822
Train Switching—Freight	4,092,796	3,797,979
—Passenger	138,844	118,597
Yard Switching—Freight	16,662,192	15,339,794
—Passenger	1,625,954	1,647,359
Total	92,632,513	88,659,186
Work Service	2,458,541	2,154,186
Total	95,091,054	90,813,372
CAR-MILES—FREIGHT SERVICE:		
Loaded Freight Cars	1,214,440,166	1,140,162,216
Empty Freight Cars	510,831,225	477,233,755
Passenger Coach and Combination Cars	6,097,450	6,605,024
Sleeping, Parlor and Observation Cars	317,779	308,517
Dining Cars	17,308	20,328
Other Cars	6,583,280	6,851,524
Caboose	43,365,340	41,314,017
Total	1,781,652,548	1,672,495,381
CAR-MILES—PASSENGER SERVICE:		
Loaded Freight Cars	326,345	213,046
Empty Freight Cars	55,634	29,557
Passenger Coach and Combination Cars	62,266,663	67,830,334
Sleeping, Parlor and Observation Cars	50,052,285	54,245,384
Dining Cars	8,401,777	9,189,041
Other Cars	72,011,184	70,863,420
Motor Unit Cars	791,663	890,569
Caboose	612,939	1,147,231
Total	194,518,490	204,408,582
Car-Miles—Total	1,976,171,038	1,876,903,963
Work Service	4,366,715	4,598,630
Total	1,980,537,753	1,881,502,593
AVERAGE MILEAGE OF ROAD OPERATED	23,402.08	23,437.12
FREIGHT TRAFFIC:		
Tons carried—Revenue freight	86,221,279	78,950,008
Tons carried one mile—Revenue freight	32,945,415,090	30,811,920,078
Freight revenue	\$342,582,003	\$300,313,199
Revenue per ton	\$3.97329	\$3.80384
Revenue per ton mile	\$0.01040	\$0.00975
Miles per revenue ton	382.10	390.27
Ton-miles—Revenue freight per mile of road	1,407,799	1,314,663
Ton-miles—All freight per mile of road	1,533,213	1,425,942
Gross ton-miles of cars, contents and cabooses	76,607,077,276	71,654,047,848
Net ton-miles of freight (Revenue and non-revenue)	35,880,383,954	33,419,975,710
Train-hours in freight road service	2,918,906	2,723,640
PASSENGER TRAFFIC:		
Passengers carried	21,226,889	22,320,490
Passengers carried one mile	1,844,649,873	2,289,022,387
Passenger revenue	\$43,017,690	\$50,128,223
Revenue per passenger	\$2.02657	\$2.24584
Miles per revenue passenger	86.90	102.55
Revenue per passenger mile	\$0.02332	\$0.02190
Passenger-miles per mile of road	78,824	97,667
NET RAILWAY OPERATING INCOME:		
Gross Revenue per mile of road	\$18,724.74	\$17,091.95
Gross Railway operating charges per mile of road	\$17,711.56	\$15,745.41
Net Railway operating income per mile of road	\$1,013.18	\$1,346.54



OPERATED MILEAGE, 31st. DECEMBER, 1947

OPERATED ROAD MILEAGE

Territory	Owned	Leased	Trackage	Total
Atlantic Region.....	2,985.78	6.41	82.95	3,075.14
Central Region.....	7,093.85	348.05	27.86	7,469.76
Western Region.....	11,415.08	34.84	84.35	11,534.27
Grand Trunk Western Lines.....	903.19	9.50	59.75	972.44
Central Vermont Lines.....	237.92	125.18	58.73	421.83
Total First Main Track.....	22,635.82	523.98	313.64	23,473.44
Lines in Canada.....	21,279.28	216.97	190.77	21,687.02
Lines in United States.....	1,356.54	307.01	122.87	1,786.42

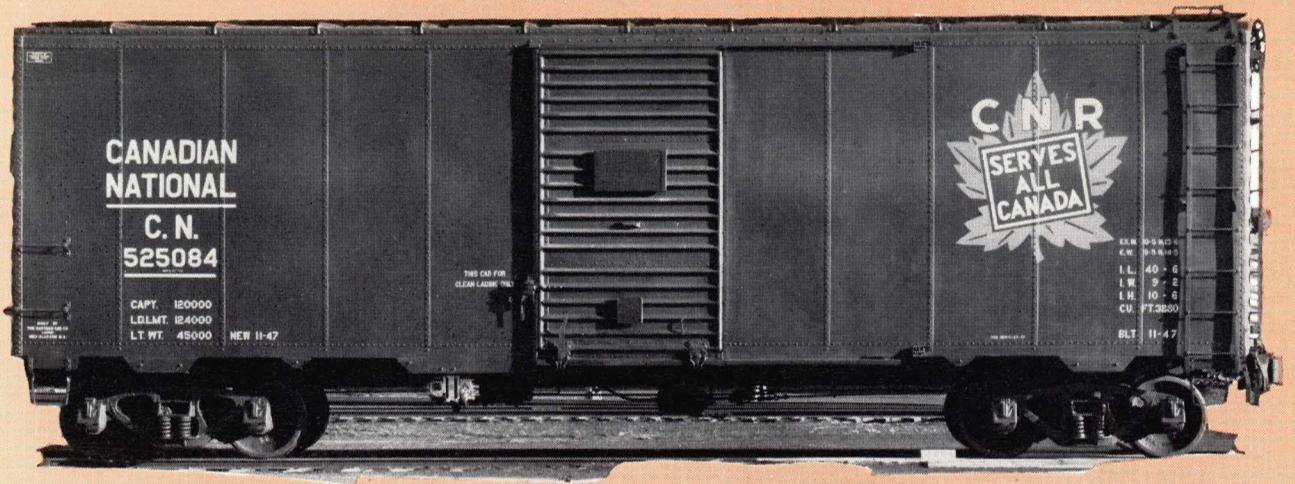
OPERATED MILEAGE ALL TRACKS

First Main Track.....	22,635.82	523.98	313.64	23,473.44
Second Main Track.....	1,221.34	9.34	85.42	1,316.10
Third Main Track.....	26.65	—	3.49	30.14
Fourth and Other Main Tracks.....	10.78	—	5.09	15.87
Spurs, Sidings and Yard Tracks.....	5,938.60	172.71	1,206.62	7,317.93
Total All Tracks.....	29,833.19	706.03	1,614.26	32,153.48



A new type of streamlined bedroom-buffet-lounge car was placed into service during the year. These cars have four single bedrooms which may be converted into suites, a spacious lounge with direct and indirect panelled fluorescent lighting, a solarium and a modern buffet section. They were built in the Company's shops.





Side view of one of the 914 new 40-ton box cars built for the Canadian National in 1947.



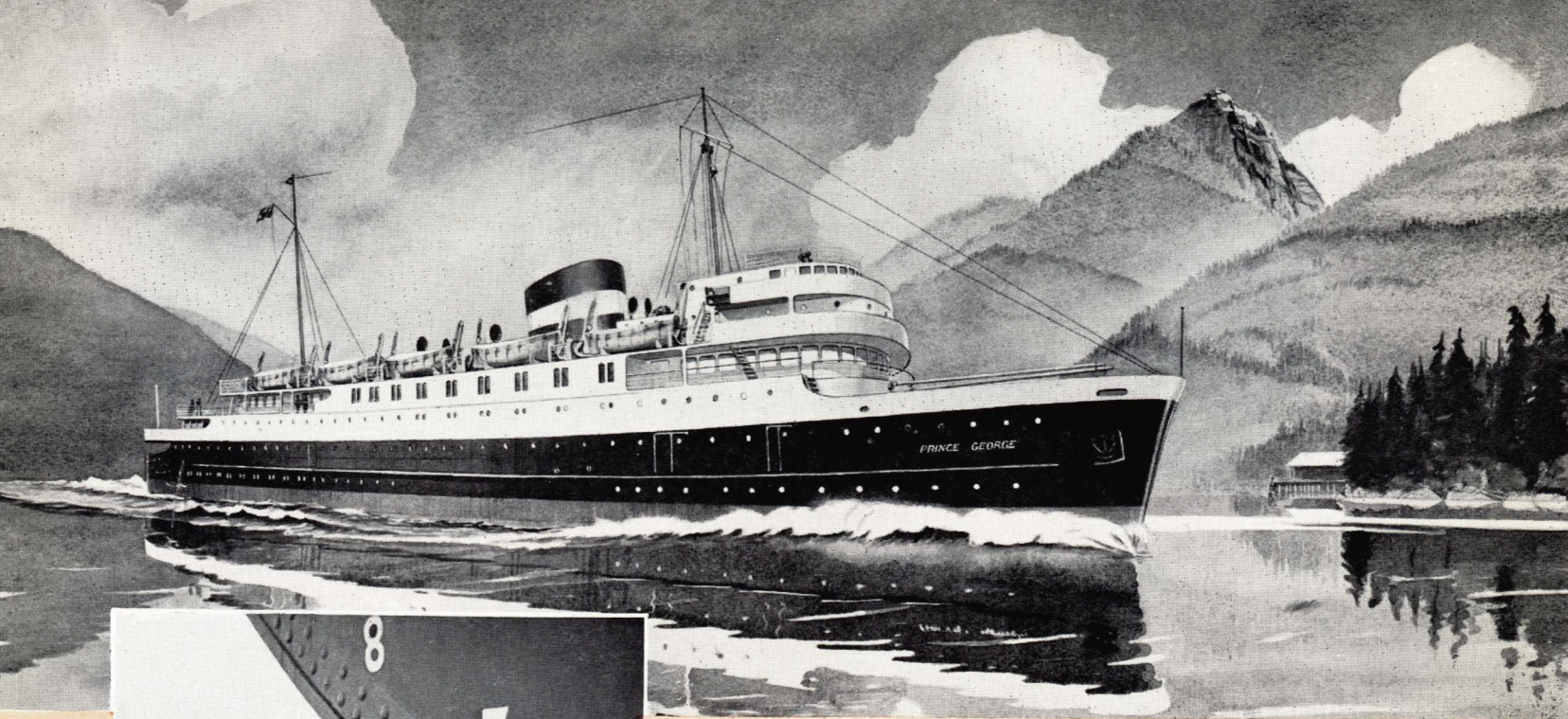
With the delivery of various types of equipment, our freight car situation was improved during 1947. Included in the deliveries were Refrigerator, Ore, Automobile, Box and covered Hopper cars, all of which helped us to meet the increasing demands of shippers. The equipment is all of the latest design, an example being the new automobile cars which are larger than any previously built for us and have wider doors and improved hoisting arrangements built into the roof structure to facilitate loading and unloading.



Above—Interior and exterior views of one of the new automobile cars showing the wider door arrangement.



Left—One of the 250 new 50-ton ore cars built to carry iron ore from the Steep Rock mine to the ore dock at Port Arthur, Ontario.



This sketch, drawn from the architect's plans by a marine artist, shows the new *Prince George* as she will look when she goes into service.



Mrs. Lionel Chevrier, wife of the Minister of Transport, preparing to christen the *Prince George* at the launching ceremonies.

By January 1948, when the picture below was made, work on the vessel was progressing rapidly towards the point where she could start her trial runs.



A section of a typical cabin.

On October 6, 1947, the new Canadian National Steamship *Prince George* was launched at Esquimalt, British Columbia. With an over-all length of 350 feet, a speed of 18 knots and cabin accommodation for 260 passengers, this 5,700-ton vessel is the largest and speediest steamship ever built on the Pacific Coast of Canada. The *Prince George* is scheduled to go into service in June 1948, between Vancouver, Prince Rupert and Skagway, Alaska.

DISBURSEMENT OF TOTAL OPERATING REVENUES AND EXPENSES

	Operating revenues were disbursed:—		Operating expenses were disbursed:—	
	1947—%	1946—%	1947—%	1946—%
Labour	54.55	55.10	60.20	61.79
Fuel	11.21	9.65	12.36	10.82
Other Expenses	24.87	24.43	27.44	27.39
Total Operating Expenses	90.63	89.18	100.00	100.00
Available for Taxes and Other Accounts	9.37	10.82		
Total	100.00	100.00	100.00	100.00
Maintenance of Way Accounts	17.17	16.76	18.95	18.80
Maintenance of Equipment Accounts	18.20	18.41	20.09	20.64
Traffic Accounts	1.76	1.77	1.94	1.99
Transportation Accounts	48.02	46.27	52.99	51.88
Miscellaneous Accounts98	1.18	1.07	1.32
General Accounts	4.50	4.79	4.96	5.37
Total Operating Expenses	90.63	89.18	100.00	100.00

EMPLOYEES AND THEIR COMPENSATION

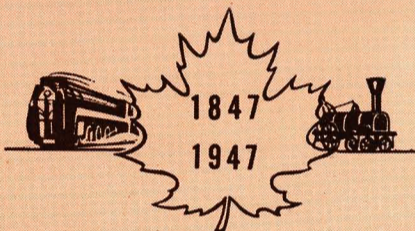
Year	*Average Number of Employees	*Total Payroll	% Inc. over Previous Year	
			Employees	Payroll
1939	78,129	\$122,354,101		
1940	82,831	132,584,063	6.02	8.36
1941	89,536	153,654,368	8.09	15.89
1942	94,592	177,042,773	5.65	15.22
1943	101,126	195,555,045	6.91	10.46
1944	102,764	222,649,839	1.62	13.86
1945	105,624	220,507,637	2.78	.96
1946	105,353	237,335,781	.26	7.63
1947	108,440	258,337,684	2.93	8.85

*Includes railway, express and telegraph employees. Excludes hotel and subsidiary company employees.



New style dining cars built in the shops of the Company and placed on trains during 1947 introduced an attractive decorative scheme, modern kitchens and other features designed to please passengers and to provide them with improved service.







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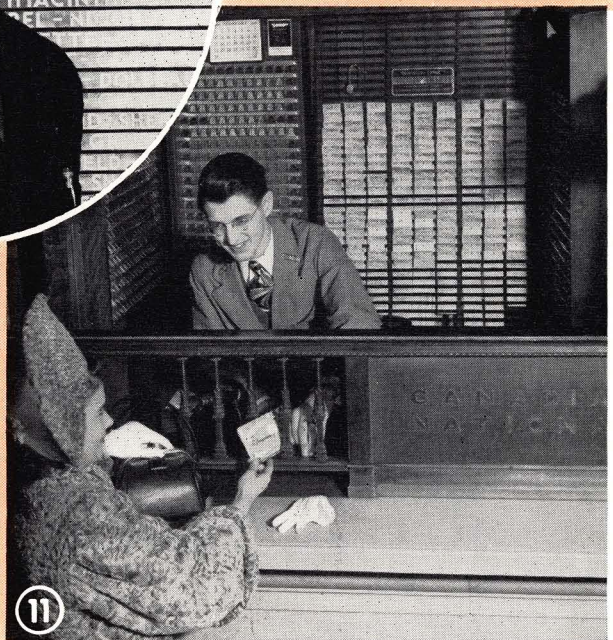
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On these two pages are shown some of the workers, in a wide variety of occupations, upon whose efficiency and courtesy the success of the railway largely depends.

- | | |
|--|--|
| 1. Maintenance of way crew, better known as Section men. | 7. Station baggage room checker. |
| 2. Telegraph printer operator. | 8. Station master. |
| 3. Locomotive engineer. | 9. Dining car waiter. |
| 4. Express motormen. | 10. Passenger train conductor. |
| 5. Way station agent or operator. | 11. Passenger ticket clerk. |
| 6. Track repair gang. | 12. Freight train crew (shown here preparing a meal in a caboose). |

REVENUE TONNAGE BY COMMODITIES

	Year	Year	Increase or	
	1947	1946	Decrease	
	Tons	Tons	Tons	Percent
AGRICULTURAL PRODUCTS:				
Wheat	5,682,704	5,630,365	52,339	.93
Corn	571,085	442,397	128,688	29.09
Oats	1,472,167	1,724,535	252,368	14.63
Barley	1,185,407	1,141,953	43,454	3.81
Rye	220,853	76,929	143,924	187.09
Flaxseed	122,072	104,275	17,797	17.07
Other Grain (including dried peas, beans, soya beans)	159,306	166,668	7,362	4.42
Flour	1,222,383	1,216,415	5,968	.49
Other Mill Products	2,362,341	2,235,176	127,165	5.69
Hay and Straw	208,363	242,828	34,465	14.19
Cotton	75,396	92,383	16,987	18.39
Apples (fresh)	109,979	110,715	736	.66
Other Fruit (fresh)	432,027	470,823	38,796	8.24
Potatoes	472,754	397,721	75,033	18.87
Other Fresh Vegetables	269,586	262,100	7,486	2.86
Other Agricultural Products	678,649	747,320	68,671	9.19
Total	15,245,072	15,062,603	182,469	1.21
ANIMAL PRODUCTS:				
Horses	55,859	68,869	13,010	18.89
Cattle and Calves	318,005	390,505	72,500	18.57
Sheep	19,060	27,983	8,923	31.89
Hogs	159,402	153,108	6,294	4.11
Poultry (live)	227	990	763	77.07
Dressed Meats or Dressed Poultry (fresh or frozen)	226,116	230,219	4,103	1.78
Dressed Meats (cured or salted)	122,777	132,800	10,023	7.55
Other Packing House Products (edible)	56,621	55,474	1,147	2.07
Eggs	80,326	73,970	6,356	8.59
Butter	52,379	50,205	2,174	4.33
Cheese	52,320	61,519	9,199	14.95
Wool	47,402	72,043	24,641	34.20
Hides and Leather	90,654	85,239	5,415	6.35
Other Animal Products (non-edible)	96,528	127,285	30,757	24.16
Total	1,377,676	1,530,209	152,533	9.97
MINE PRODUCTS:				
Anthracite Coal	2,884,036	3,077,841	193,805	6.30
Bituminous Coal	11,108,778	9,882,636	1,226,142	12.41
Sub-Bituminous Coal	1,282,751	1,346,812	64,061	4.76
Lignite Coal	440,564	489,580	49,016	10.01
Coke	942,499	1,274,250	331,751	26.04
Iron Ores and Concentrates	1,353,480	977,456	376,024	38.47
Copper Ore and Concentrates	180,520	161,310	19,210	11.91
Other Ores and Concentrates	2,110,800	1,348,638	762,162	56.51
Base Bullion, Matte, Pig and Ingot (non-ferrous metals)	584,576	506,658	77,918	15.38
Sand and Gravel	2,032,852	1,944,218	88,634	4.56
Stone (crushed, ground, broken)	2,802,921	2,030,272	772,649	38.06
Slate, Dimension or Block Stone	101,407	103,640	2,233	2.15
Crude Petroleum	571,879	523,124	48,755	9.32
Asphalt (natural, by-product petroleum)	335,703	268,972	66,731	24.81
Salt	527,107	515,273	11,834	2.30
Other Mine Products (not fully processed)	1,911,149	1,440,335	470,814	32.69
Total	29,171,022	25,891,015	3,280,007	12.67
FOREST PRODUCTS:				
Logs, Posts, Poles, Piling	972,063	988,519	16,456	1.66
Cordwood and Other Firewood	424,265	553,648	129,383	23.37
Ties	53,680	56,505	2,825	5.00
Pulpwood	5,719,321	4,842,085	877,236	18.12
Lumber, Timber, Box, Crate and Cooperage Material	5,102,127	4,461,841	640,286	14.35
Other Forest Products	343,578	254,088	89,490	35.22
Total	12,615,034	11,156,686	1,458,348	13.07
Carried Forward	58,408,804	53,640,513	4,768,291	



REVENUE TONNAGE BY COMMODITIES (Continued)

	Year 1947	Year 1946	Increase or Decrease	
	Tons	Tons	Tons	Percent
Brought Forward	58,408,804	53,640,513	4,768,291	
MANUFACTURES AND MISCELLANEOUS:				
Gasolene	1,771,692	1,726,698	44,994	2.61
Petroleum Oils and Petroleum Products (except asphalt and gasolene)	1,921,540	1,382,975	538,565	38.94
Sugar	281,504	294,174	12,670	4.31
Iron, Pig and Bloom	430,574	290,772	139,802	48.08
Rails and Fastenings	42,105	48,110	6,005	12.48
Iron and Steel (bar, sheet, structural, pipe)	2,093,002	1,479,516	613,486	41.47
Castings, Machinery and Boilers	377,146	308,264	68,882	22.35
Cement	740,366	728,357	12,009	1.65
Brick and Artificial Stone	366,417	309,630	56,787	18.34
Lime and Plaster	434,930	371,760	63,170	16.99
Sewer Pipe and Drain Tile	48,395	36,479	11,916	32.67
Agricultural Implements and Vehicles other than Autos	319,432	249,980	69,452	27.78
Automobiles, Auto Trucks and Auto Parts	1,725,981	1,255,043	470,938	37.52
Household Goods and Settlers Effects	24,021	26,815	2,794	10.42
Furniture	63,798	64,680	882	1.36
Beverages	506,870	506,792	78	.02
Fertilizers, all kinds	1,189,576	1,266,345	76,769	6.06
Newsprint Paper	1,966,108	1,833,686	132,422	7.22
Other Paper	430,121	419,293	10,828	2.58
Paper Board, Pulpboard and Wallboard (paper)	589,387	440,603	148,784	33.77
Woodpulp	1,353,003	1,237,955	115,048	9.29
Fish (fresh, frozen, cured, etc.)	117,885	152,113	34,228	22.50
Canned Goods (all canned food products)	762,948	681,801	81,147	11.90
Other Manufactures and Miscellaneous	7,741,115	7,736,068	5,047	.07
Merchandise (all L.C.L. Freight)	2,514,559	2,461,586	52,973	2.15
Total	27,812,475	25,309,495	2,502,980	9.89
Grand Total	86,221,279	78,950,008	7,271,271	9.21



Our most distinguished passenger during 1947 was the President of the United States who travelled over Canadian National Railways on the occasion of his official visit to Ottawa. In the picture, Mr. Truman is shown greeting one of his R.C.M.P. escorts just after crossing the International Boundary into Canada.

WORLD-WIDE SERVICE

The Canadian National maintains offices in the United States, Europe, Australia, New Zealand and the Orient, to render helpful service and give information in connection with the traffic and other interests of the Company and of Canada generally. The principal offices of this kind are located at the following points:

UNITED STATES

Birmingham	Ala.
Boston	Mass.
Buffalo	N.Y.
Cedar Rapids	Iowa
Chicago	Ill.
Cincinnati	Ohio
Cleveland	Ohio
*Detroit	Mich.
Duluth	Minn.
Flint	Mich.
Grand Rapids	Mich.
Kansas City	Mo.
Los Angeles	Cal.
Mason City	Iowa
Memphis	Tenn.
Milwaukee	Wis.
Minneapolis	Minn.
New Haven	Conn.
New Orleans	La.
*New York	N.Y.
Omaha	Neb.
Philadelphia	Pa.
Pittsburgh	Pa.
Portland	Me.
Portland	Ore.

St. Albans	Vt.
St. Louis	Mo.
St. Paul	Minn.
Saginaw	Mich.
San Francisco	Cal.
Seattle	Wash.
South Bend	Ind.
Toledo	Ohio
Tulsa	Okla.
Washington	D.C.

EUROPE

Antwerp	Belgium
Glasgow	Scotland
Liverpool	England
*London	England
Paris	France
Southampton	England

AUSTRALIA AND NEW ZEALAND

Melbourne	Australia
Sydney	Australia
Wellington	New Zealand

THE ORIENT

Hong Kong	
Calcutta	India

*Industrial Development representatives located at these points.

CANADIAN NATIONAL HOTELS

Halifax, N.S.	<i>The Nova Scotian</i>	Brandon, Man.	<i>Prince Edward Hotel</i>
Charlottetown, P.E.I.	<i>The Charlottetown</i>	Saskatoon, Sask.	<i>The Bessborough</i>
Ottawa, Ont.	<i>Chateau Laurier</i>	Edmonton, Alta.	<i>The Macdonald</i>
Port Arthur, Ont.	<i>Prince Arthur Hotel</i>		
Winnipeg, Man.	<i>The Fort Garry</i>	Vancouver, B.C.	† <i>Hotel Vancouver</i>

†Operated under the joint management of Canadian National Railways and the Canadian Pacific Railway Company.

SUMMER RESORT HOTELS

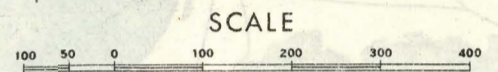
<i>Jasper Park Lodge</i>	JASPER, ALTA.
<i>Minaki Lodge</i>	MINAKI, ONT.
<i>Pictou Lodge</i>	PICTOU, N.S.





TRANS-CANADA AIR LINES
Canada's National Air Service

T.C.A. existing routes —————
 T.C.A. projected extensions - - - - -



To Hawaii and Australasia

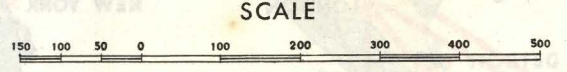
To Bermuda, West Indies, etc.



CANADIAN NATIONAL RAILWAYS

The Largest Railway System in America

- Canadian National Railways (MAIN LINES ——— BRANCH LINES ———)
- Other Through Passenger Car Service (Canada ——— U.S.A. ———)
- Canadian National Steamships and Ferries (-----)
- Northern Alberta Railways (jointly owned) (N.A. RYS. ———)
- U.S. Traffic Offices (•)



Serves all the Provinces of Canada and many Sections of the United States

