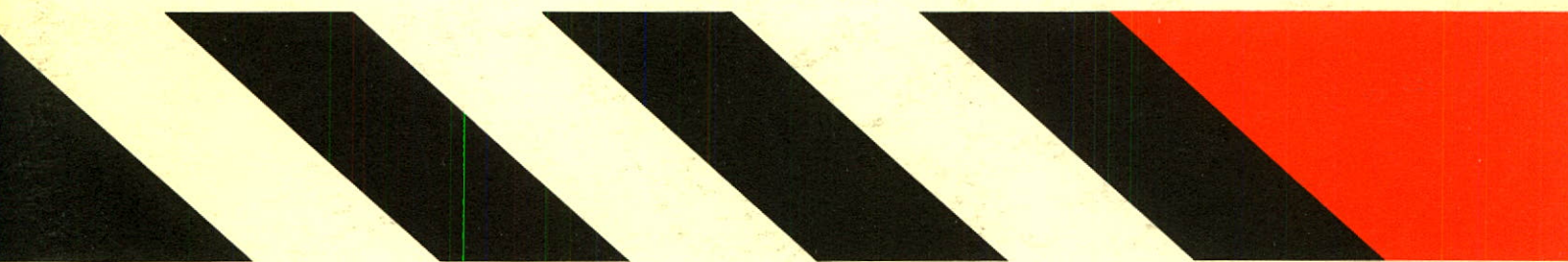


CN

Annual Report



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Canadian National Railways

1961





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## Financial Highlights

	1961	1960	Better or (Worse)
Railway operating revenues	\$710 305 173	\$693 141 106	\$17 164 067
Railway operating expenses	722 147 583	705 818 310	(16 329 273)
Net railway operating <b>loss</b>	<b>11 842 410</b>	<b>12 677 204</b>	834 794
Other income	7 010 548	6 203 472	807 076
<b>Deficit</b> before fixed charges	<b>4 831 862</b>	<b>6 473 732</b>	1 641 870
Total fixed charges	72 987 242	69 088 803	( 3 898 439)
Less Interest on loans to Trans-Canada Air Lines	10 511 332	8 065 758	2 445 574
Net fixed charges	62 475 910	61 023 045	( 1 452 865)
<b>Deficit</b>	<b>\$ 67 307 772</b>	<b>\$ 67 496 777</b>	<b>\$ 189 005</b>

The Board of Directors submits  
hereunder the Annual Report of  
Canadian National Railways  
for the year 1961.

## Financial Review

The sensitivity of rail traffic volume to Canadian business activity was reflected in Canadian National's financial results for 1961. The slowing down of economic activity which was evident in 1960 continued into the first quarter of 1961, during which time revenue ton miles declined below 1960 volume levels. Then, during the second quarter, the economic trend improved and CN's business, along with that of other Canadian industries, started to recover. By April, traffic had begun to exceed 1960 levels and for the year as a whole a total increase of 2.1 percent in revenue ton miles was registered.

Total operating revenues of \$710.3 million represented an increase of \$17.2 million, or 2.5 percent over 1960. This improvement was substantially offset by rising operating costs which, primarily owing to wage increases, reached \$722.1 million, or \$16.3 million higher than in 1960. After taking into account other income of \$7.0 million and fixed charges of \$62.5 million, the end result was an overall deficit of \$67.3 million.

### Operating Revenues

Included in the total railway operating revenues was \$27.9 million in interim payments from the Federal Government, related to recommendations of the Royal Commission on Transportation. Freight revenues decreased by \$12.3 million or 2.3 percent despite the 2.1 percent increase in revenue ton miles. This was the result of a 4.3 percent decrease in the revenue per ton mile, principally due to a higher proportion of low-rated traffic. Tonnage of some commodities,



particularly of cement and of grain moving to the west coast for shipment to the Orient, showed increases. However, there were significant decreases in the movement of coal, ores and concentrates, gravel and crushed stone, iron and steel products, automobile parts and gasoline.

Subsidy payments, including those related to the report of the Royal Commission on Transportation, totalled \$66.7 million in 1961. Represented in the total were: (1) CN's share of payments provided under the Freight Rates Reduction Act which reduced, for certain classes of traffic, the full impact of the 17 percent freight rate increase authorized in 1958; (2) payments under the Maritime Freight Rates Act; (3) CN's share of contributions to the maintenance of mainline track between Eastern and Western Canada, provided under the East-West Bridge Subsidy; (4) reimbursements, which are recorded under Other Revenues in the System Accounts, to cover operating losses on Newfoundland and Prince Edward Island steamship and ferry services operated by CN for the Federal Government.

The following table compares subsidy payments in 1960 and 1961:

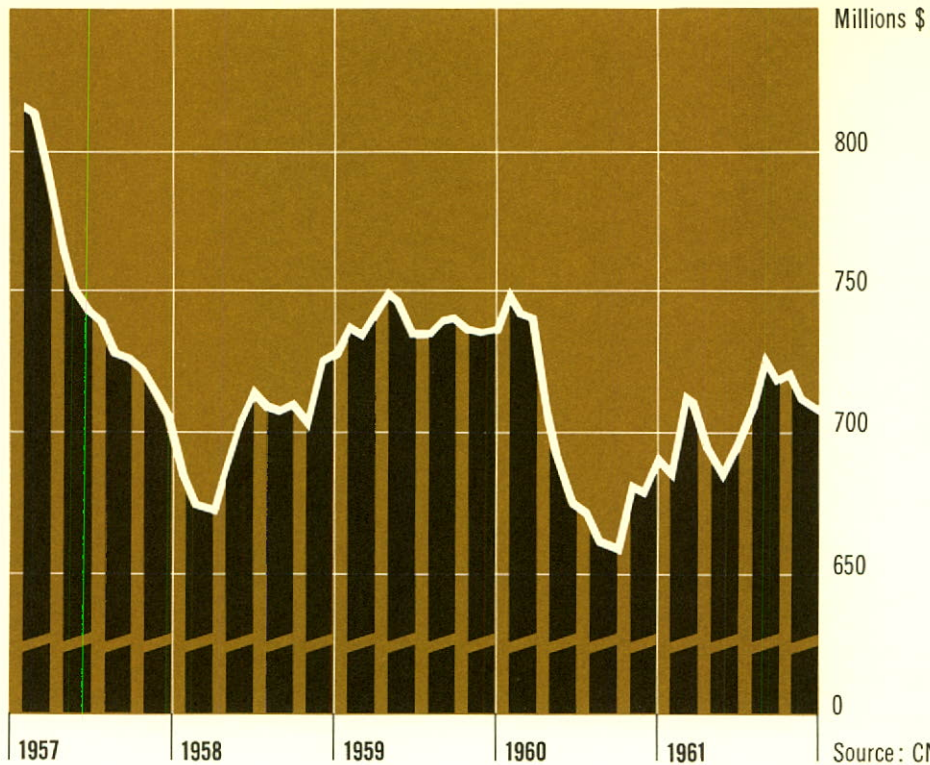
	1961 (Millions of Dollars)	1960	Increase or (Decrease)
Freight Rates Reduction Act	\$10.7	\$10.4	\$ 0.3
Maritime Freight Rates Act	10.0	11.9	(1.9)
East-West Bridge Subsidy	3.5	3.0	0.5
	24.2	25.3	(1.1)
Interim Payments	27.9		27.9
	52.1	25.3	26.8
Newfoundland and P.E.I. Steamship Services	14.6	11.0	3.6
Total	\$66.7	\$36.3	\$30.4

Piggyback revenues amounted to \$6.4 million, compared with \$6.1 million in 1960. Passenger revenues declined by \$3.5 million or 9.2 percent from 1960, while Express revenues dropped \$1.6 million or 3.5 percent. Telecommunications' revenues from commercial services were 10 percent above those of 1960, reaching a new high of \$32.9 million.

### Operating Expenses

Determined efforts to keep all controllable expenses to a minimum resulted in a reduction (excluding new wage increases) of \$6.0 million in operating expenses despite a modest increase of 1.5 percent in gross ton miles produced. This reduction was more than offset by the addition of \$22.3 million to wage costs resulting from contract settlements with unions. Significant cost reductions were achieved in equipment maintenance due to greater efficiency and reduced work load in main shop repairs to locomotives and passenger cars. Also, train and yard operating

**Operating Revenues  
Seasonally Adjusted at  
Annual Rates**



costs per gross ton mile continued to decline, reflecting benefits from dieselization, centralized traffic control and improved yard facilities.

Taxes amounted to \$19.8 million, down \$0.5 million from 1960. They represented payments of \$5.2 million for unemployment insurance; \$1.3 million and \$8.5 million in Canadian provincial and municipal taxes respectively; \$2.4 million in U.S. state taxes, and \$2.4 million in payments under the U.S. Railroad Retirement Act.

Equipment rentals increased by \$0.5 million due to a decrease in the use of Canadian National equipment by United States railroads.

**Fixed Charges**

A \$1.5 million increase in net fixed charges in 1961 compared with 1960 resulted from the full-year impact of CN capital borrowings made in 1960. No new borrowings were required to finance CN's capital expenditures in 1961. The effective interest rate on the debt outstanding at the end of 1961 was 4.3 percent, unchanged from that at the end of 1960.

**Capital Expenditures**

Capital expenditures in 1961 amounted to \$117.2 million compared with the approved capital budget of \$143.2 million, and were \$63.8 million lower than during the previous year. Capital expenditures in the two years by major categories are as follows:



	1961	1960
	(Millions of Dollars)	
Road property	\$ 64.4	\$ 82.0
Large terminals	13.3	19.1
Telecommunications facilities	19.2	26.6
Branch lines	1.3	1.2
Hotels	1.8	3.2
Equipment	11.9	33.6
	111.9	165.7
Investment in affiliated companies	5.3	5.3
Working capital		10.0
Total	\$117.2	\$181.0

## The System

**Organization** The transition to the new form of the System's management and administrative structure in Canada, comprising five regions subdivided into 18 management areas, was advanced during the year. In addition to the former regional operations responsibilities, there was transferred to Regional Vice-Presidents and, where applicable, to Area Managers, responsibility for the sales, accounting, public relations, freight claims, and sleeping, dining and parlour car functions in their territories. It is contemplated that responsibility for certain other functions will be delegated to regional and area officers in due course.

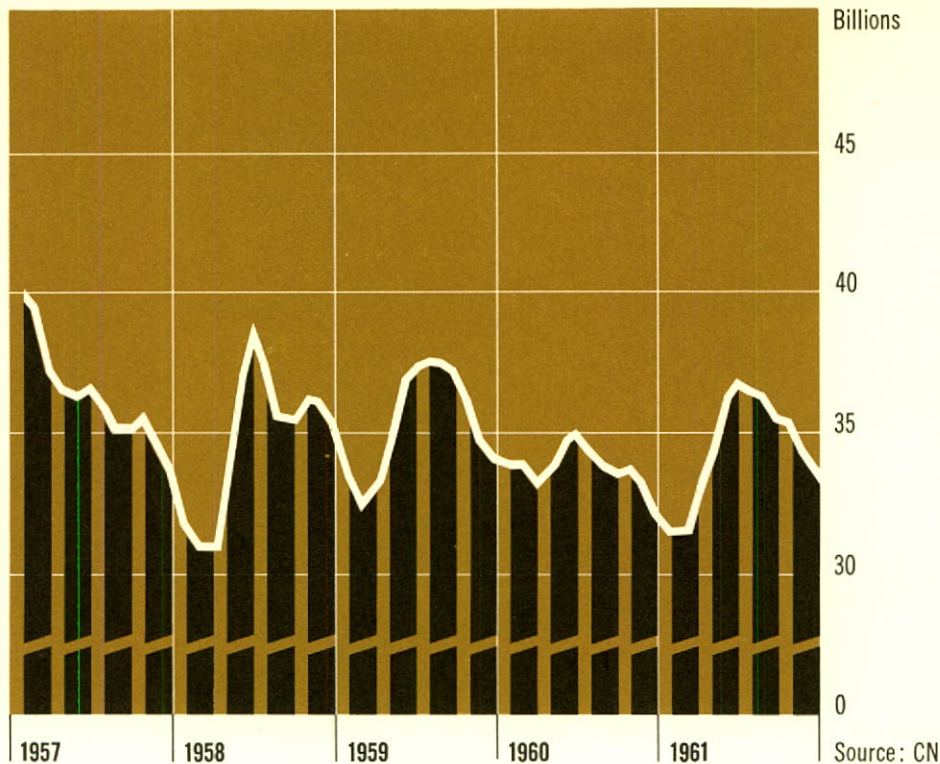
Progress was made in adapting the accounting function to the new form of organization. Steps were taken to improve the method of financial control and planning of the System's operations by identifying financial and statistical results more closely with managerial responsibility for them. Similarly, new procedures were developed for the presentation and handling of operating budgets by responsible organization units.

Studies were also advanced to develop new principles and methods for determining the revenue and profit of each region and area with a view to providing an improved basis for management decisions at those levels.

**Data Processing** Development of a System-wide data processing network advanced during the year with the installation in Montreal of a new magnetic tape computer, the IBM 7070. Capable of storing vast quantities of information and processing it at high speeds, the IBM 7070 is the master computer in the network, while combination punched-card and magnetic tape satellite computers, known as IBM 1401's, are operated in conjunction with it. By year-end, four 1401's were in operation:



**Revenue Ton-Miles  
Seasonally Adjusted at  
Annual Rates**



two at Montreal for System Headquarters and the St. Lawrence Region, one at Moncton for the Atlantic Region, and one at Winnipeg for the Prairie Region. Two others are scheduled to be in operation at Toronto and Edmonton in 1962 to complete the system. The new computers will speed the flow of information and statistics across the country for such purposes as sales, payrolls, operations, car tracing, revenue and car accounting, operations research and equipment control. The flow of traffic information begins in the mechanized yard and freight offices, where information is recorded on punched cards which are then sent to regional headquarters. The cards are processed by the 1401's to produce information required by regional and area offices, and at the same time make a duplicate record on magnetic tape for the master IBM 7070. The 7070 consolidates, processes and stores information required for the overall operation of the CN System.

**Headquarters Building**

Improved working conditions and greater efficiency in the functioning of the System headquarters organization were achieved with the completion in May of the 17-storey Headquarters Building in Montreal. Previously, the 3,000 personnel attached to headquarters were located in 22 separate locations in the downtown area. For most of these employees, the new air-conditioned surroundings were in sharp contrast to previous accommodations since about half of the headquarters staff had been located for many years in temporary space, not originally designed for office purposes. The new building provides up-to-date office, cafeteria, communi-

**The  
Revenue  
Dollar**

Freight Services	74.7
Passenger Services	6.1
Interim Payments	3.9
Express	6.1
Telecommunications	4.6
All Other	4.6

compensation to employees

**The  
Expense  
Dollar**

Operating Wages	53.0
Pensions, Benefits and Welfare	4.7
Fuel	3.3
Depreciation	11.6
Other Expenses	19.4
Net Fixed Charges	8.0

cations and training facilities. The cafeteria floor is devoted to employees' interests, with a lounge, library and other recreational space managed by the employees' own association.

**Corporate Structure**

Three more companies were amalgamated under the name of Canadian National Railway Company during the year as part of the continuing program to simplify CN's corporate structure. They were Canadian National Rolling Stock Limited, Montreal Fruit and Produce Terminal Company Limited and Yukon Telephone Company Ltd.

**Operations**

Progress was made in achieving more efficient and economical operations under the System's overall modernization program.

**Hump Yards**

In Montreal, the second of four electronically-controlled automatic hump classification yards went into operation. The first such yard opened in Moncton in 1960, and a third one, the Symington Yard in Winnipeg, is scheduled for completion in 1962. Meanwhile, work moved ahead on the fourth yard which is under construction at Toronto. These yards employ the most advanced design, equipment and methods to receive, classify and despatch freight trains. The



Montreal Yard covers 834 acres and is capable of handling 7,000 cars a day. It incorporates a modern Railway YMCA, built by CN to accommodate train crews during stop-overs.

**Signals and Radio** Installation of Centralized Traffic Control, a signalling system which controls mainline and yard train movements and increases capacity of single track, was extended an additional 331 miles in 1961. This brought the total number of miles of CTC-equipped track to 2,374.

Application of radio communications to train and yard operations continued throughout 1961, and by spring of 1962, trains on all principal traffic routes on the System will be equipped for "end-to-end" radio communications.

**Fuel** A joint research program, carried out by the railways and the National Research Council, has indicated the possibility of using crude oil as fuel for diesel locomotives, thereby promising substantial savings in future fuel costs. Research work on this development is continuing.

**Work Study** A steady increase in annual savings is being achieved through the continued work study program. Directed toward obtaining the most efficient use of men, materials and equipment, work study projects in 1961 produced traceable savings at an annual rate of \$1.6 million. Regular courses were conducted to increase the number of personnel trained in analyzing and improving work methods.

## Freight Services

In pursuing its share of the transportation market in 1961, CN intensified its sales effort and adopted improvements and new developments in transportation services and equipment.

**Sales** As a follow-up to the decentralization of the System's sales force which was accomplished in late 1960, training seminars were conducted to better equip management and field personnel to market and sell CN services. These seminars, which will be expanded in 1962, are vital to the development and application of a comprehensive sales program aimed at molding a specialist sales force capable of analyzing total distribution requirements of industry, and meeting these needs, as far as possible, with CN services.

**Schedules** Faster train schedules were instituted on certain trans-continental and inter-city services. A daily freight train, the "Highballer", was introduced early in the year to offer shippers a faster service from Toronto-Montreal to cities in Western Canada. It provides delivery of shipments from Eastern Canada to Vancouver one day faster than previously. More efficient classification and departure operations in the new classification yards at Montreal and Moncton contributed to the speeding up of freight schedules between Central Canada and the Atlantic Provinces.

**Incentive Rates** Incentive carload freight rates were established between a number of points in Ontario and Quebec to meet intense trucking competition. Incentive rates encourage loading to full capacity



of freight cars and exploit the ability of the railway to carry heavier and bulkier loads at lower cost. Similar incentive rates were introduced for less-than-carload freight in Ontario and Quebec and applied to all classes of goods except those not suitable for pickup and delivery.

**Equipment** The purchase of 450 freight cars of various types during 1961 contributed to the modernization of the System's rolling stock. Progress was also made in the development of specialized equipment to serve particular industries and the adaptation of existing rolling stock to modern requirements. A novel method of converting ice refrigerator cars to mechanical refrigeration was developed by CN and is being tested on eleven cars. The conversion involves the mounting of a refrigeration unit in one of the car doors and a diesel generator and fuel tank underneath the car. The installation is considerably more economical than the conventional conversion where the units are placed in the end of the car, since no structural changes in the car are required and there is no loss in car capacity.

Two special types of rolling stock were developed to provide more economical transportation, loading and unloading of pulpwood and lumber. The development resulted from detailed research into the transportation requirements of these two industries and the ways in which they could be best served by the Canadian National.

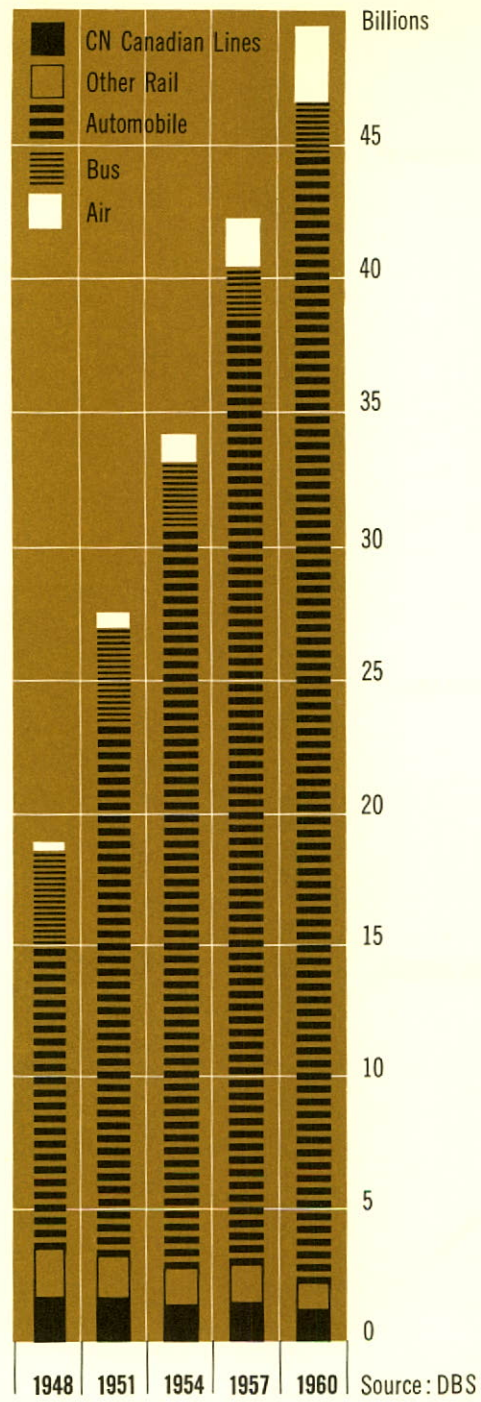
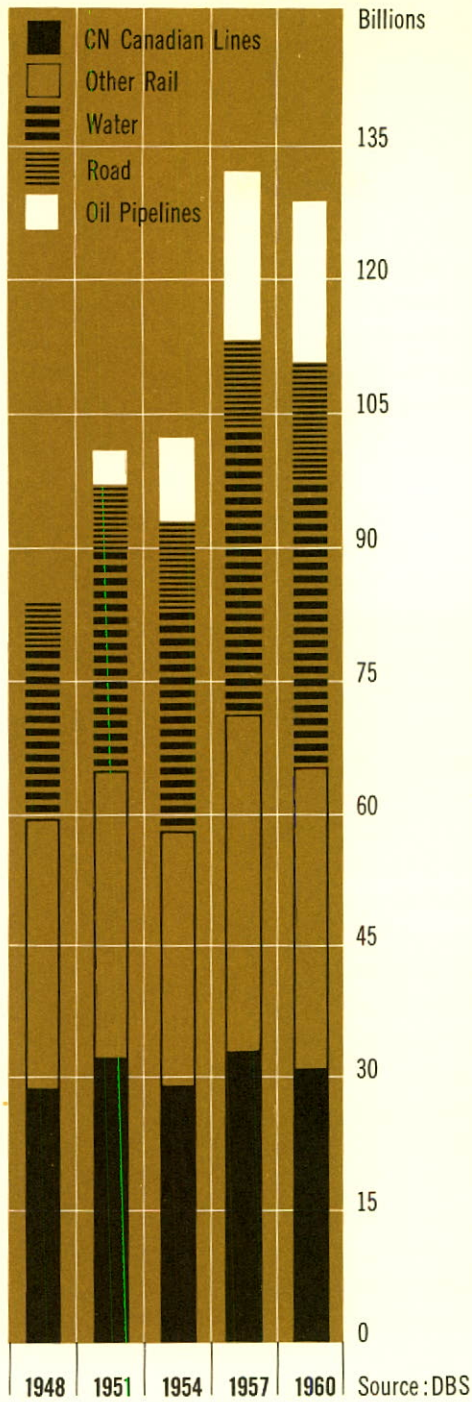
**Road-Rail Co-ordination** Closer co-ordination of rail and highway transport was advanced during 1961 by establishing, in Edmonton, the System's first combined Express Freight terminal. Express and LCL Services were brought under one roof and the personnel consolidated into a single staff handling both types of traffic. This represented an important step in the planned development of a superior integrated service for package and non-carload shipments, employing the most efficient use of rail, piggyback and highway transportation. Experience gained at Edmonton will set the pattern for integration at other points across the System.

**Piggyback** Piggyback operations were expanded in response to the growing demand for this type of road-rail service. Under Plan II piggyback, in which railway-owned trailers are carried, service was extended to 15 additional communities in Central Canada, while under Plan I (commercial trailers), service extensions involved 15 cities and towns across the System. Other developments included the opening of a new piggyback terminal in Quebec City; a successful experiment in transporting Royal Mail by piggyback between Toronto and Quebec City, and the introduction of temperature-controlled service for refrigerated and heated trailers.

## Highway Services

Canadian National's highway operations were expanded during 1961 and further steps were taken to co-ordinate the System's trucking activities. All road services, including the long-established branch of Road Transport and the pick-up and delivery operations of Express and Less-than-Carload freight services, were brought together under a Department of Highway Services. This Department, which was established in January 1961, also directs and controls

**Intercity Revenue  
Ton-Miles (left)  
and  
Intercity Passenger  
Miles (right)**





the subsidiary trucking companies acquired by Canadian National Transportation Limited.

During the year, CNTL expanded its operations in Central Canada through purchase of two Ontario trucking firms, Hoar Transport Limited and Toronto-Peterborough Transport Company Limited. This brought to six the number of trucking companies (together with two associated terminal companies) wholly owned by CNTL. Exercise of an option to acquire control of a seventh company, Midland Superior Express Limited, was at year-end awaiting the outcome of hearings before the Quebec Transport Board. Total capital investment in trucking companies was \$11.9 million at the end of 1961 and an additional \$3.7 million was on deposit to meet commitments associated with negotiations for the purchase of additional companies. For the full year 1961 the net operating profits of all trucking companies wholly or partially owned at the year end was \$131,170, after provision for depreciation and for interest on advances made by CNTL to those companies for working capital and purchases of property and equipment.

Benefits from the alliance of road and railway operations go beyond the specific profit and loss figures of the trucking operations. These benefits are gained through the reduction of railway operating expenses achieved by replacement of money-losing railway routes with highway services; through increased piggyback revenues derived from the System's associated trucking services; through the improved ability of CN to compete, on an equal basis, for the type of traffic that formerly moved by rail but is now carried by highway transport; and through placing the System in a more effective position to serve a rapidly-changing industrial complex in which more and more industries are decentralizing to locations closer to markets, often at points not served by rail.

## Passenger Services

### Fares and Ticketing

Incentive fare plans were broadened in 1961 in an effort to stimulate travel on principal passenger trains. Discount passenger fares for two or more persons travelling together were instituted for all classes of travel on all days of the week at all points in Canada. The discount plan provides a reduction of 40 percent for the second and each additional traveller in a group. Discounts were also introduced for two or more persons travelling together under all-inclusive fare plans.

In the fall, passenger ticketing procedures were substantially improved by replacing more than 200 separate ticket forms of various types and sizes with nine consolidated tickets. The new tickets speed selling and collection and simplify accounting. Six new forms were also devised to replace 71 tickets formerly used for CN's Maple Leaf Package tours.

## Telecommunications

The dimensions of CN Telecommunications' plant and services were broadened substantially



during the year. Continuing expansion of private wire, Telex, telephone, radio and television broadcasting facilities contributed to record high revenues. Growth in plant capacity amounted to 180,000 miles of carrier telephone channels and 137,000 miles of carrier telegraph channels.

Microwave facilities were considerably expanded with the opening in July of the 1,200-mile system between Grande Prairie, Alberta, and the Yukon-Alaska border. Built as a vital communications link between Alaska and the United States, the southern terminal of the microwave system joins with Alberta Government Telephones while its northern connection is with the Alaska Communications System. The system provides the basic radio equipment to carry 600 telephone circuits. Initially, 120 voice circuits were provided to meet current requirements.

The number of Telex subscribers reached 3,900 by year end, an increase of 600 over 1960. Seventeen new exchanges were added at points across Canada, bringing the total to 54.

CN Telecommunications played a principal role in providing a new automatic reservations system for Trans-Canada Airlines through provision of a 9,000-mile nation-wide telephone network, as well as installation and maintenance of equipment.

In Newfoundland, public telephone service was expanded and improved through extension of service to the Gander Bay area, installation of new automatic telephone exchanges in three centres and an increase in the number of long distance circuits between exchanges in the Province. In North-Western Canada, dial telephone service was expanded at Whitehorse, instituted at Fort Simpson and orders were placed for equipment to convert the manual exchange at Yellowknife. Preparations were made for the inauguration early in 1962 of telephone service at Fort Resolution, Fort Providence and Rae.

## Hotels

### Financial Results

Income from Canadian National operated hotels and the Hotel Vancouver was down \$0.6 million compared with 1960, reflecting reduced occupancy, mainly at The Fort Garry in Winnipeg and the Hotel Vancouver, and heavy non-recurring renovation expenses at The Nova Scotian in Halifax. This decline in income was partially offset by an improvement of \$0.3 million over 1960, in the return from The Queen Elizabeth in Montreal. The net result in hotel income (after depreciation and before interest) compared with 1960 is as follows:

	1961	Income or (Loss) 1960
Canadian National Hotels Ltd.	\$ ( 97,212)	\$ 458,469
The Queen Elizabeth	1,718,303	1,401,383
<b>Total Hotel Income</b>	<b>\$1,621,091</b>	<b>\$1,859,852</b>

**Improvements** The hotel modernization and improvement program continued throughout the year. Public space areas of the old wing at The Nova Scotian were renovated. Television sets were installed in all bedrooms and suites at The Fort Garry and bedrooms on the first three floors were refurnished. Work was commenced on eight new four-room cabins at Jasper Park Lodge to replace nine of the original guest cabins.

**Sales** In recognition of the impact of changes in travel patterns on the accommodation market, a separate Hotel Sales Department, with coast-to-coast coverage, was established during 1961. While the emphasis is being placed initially on convention solicitation, sales efforts will be expanded to include the merchandising of all facilities and services offered by the hotels. An arrangement was made during the year whereby Hilton of Canada Limited was retained in a consulting capacity to advise and assist the management of Canadian National Hotels on various phases of hotel operation, sales solicitation and administration. The arrangement will also involve closer co-ordination of sales activities between the two hotel systems and extension of the solicitation efforts of the world-wide Hilton Hotels organization to promote the attraction of convention, group and individual travel to all Canadian National hotels.

## **Personnel and Labour Relations**

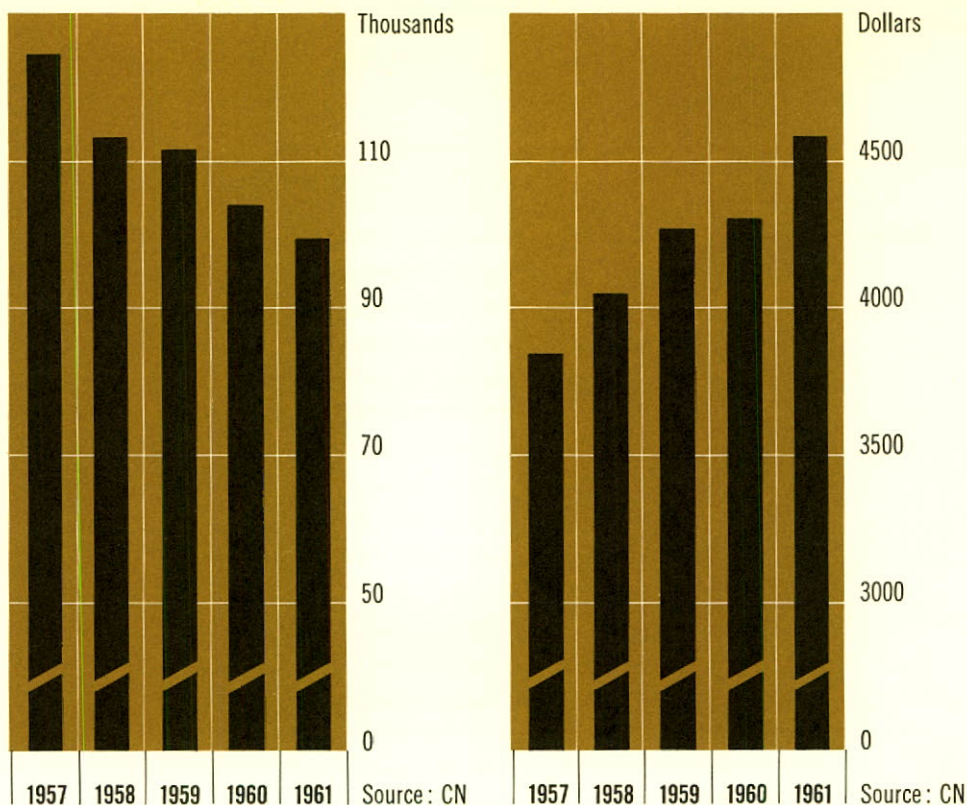
Continuing management and union efforts were directed towards amending work rules to facilitate modern, efficient operations, and in response to problems associated with adjustments in the work force and the effects on employment of centralization of maintenance and repair facilities and other technological developments.

An important step was progress made towards combining Express, Cartage and Freight staffs into a single flexible group, shaped to meet the requirements of instituting the planned superior Express Freight service. Following fourteen months of constructive negotiations with the Canadian Brotherhood of Railway, Transport and General Workers, a pilot agreement was entered into which, it is hoped, will form the pattern for contracts covering 20,000 employees across the System. An important aspect of this agreement is the consolidation of seniority lists which would result in a greater measure of work security for long-service employees. Concurrently, discussions were carried on with other unions, notably the Brotherhood of Maintenance of Way Employees and the Order of Railroad Telegraphers, with a view to revision of seniority territories to provide more efficient administration and better work security for long-service employees in those groups.

The policy of keeping employees informed of organizational and operational changes of general interest, as well as specific matters affecting their job status, security or location, was actively pursued. This was done through meetings with employees and their union representatives and through the medium of existing and additional employee publications. In situations where staff reductions were unavoidable, employees were given individual counselling and assistance in obtaining alternative employment either in the company or with other employers.



**Average Number of Employees (left) and Average Annual Earnings per Employee (right)**



Training continued to play a major role in upgrading and modernizing the skills of employees. To cope with increasing training needs regional training officers were appointed to supervise expanded programs. There were some 48,000 enrolments in training or retraining courses during the year. A large number of employees enrolled in more than one course.

**Negotiations**

Collective agreements with operating employees opened early in the year and the key issues in negotiations and subsequent conciliation proceedings centered on changes in work rules. Management proposals to the three unions (Brotherhood of Locomotive Engineers, Brotherhood of Railroad Trainmen, and Brotherhood of Locomotive Firemen and Enginemen), sought modernization of rules and practices that have become outdated through the change from steam to all-diesel locomotive operation.

In respect of the Brotherhood of Locomotive Engineers, a conciliation board report was received on November 30, 1961, and its recommendations for a 6½ percent wage increase in four steps, and amended work rules, were rejected by the union. The company accepted and implemented the recommendations effective January 1, 1962. At year-end, the firemen's and trainmen's cases were before boards of conciliation.

Wage increases amounting to approximately 14 cents per hour became effective during 1960-1961



under a two-year agreement concluded with 15 unions representing non-operating employees. This agreement was signed in May, 1961, and dated back to December 31, 1959. It expired on December 31, 1961, and new demands were received from these unions on December 20. They asked for: a wage increase of 5¼ percent plus 11 cents an hour (equivalent to 22 cents an hour); guaranteed full employment and maintenance of earnings for all employees with five years service or more, with the reduction in the number of these employees, in each craft or class, limited to attrition at a maximum rate of one percent per year; supplemental unemployment insurance benefits for all laid-off employees with less than five years service to maintain full take-home pay; an increase in the weekly indemnity under the Health and Welfare Plan; restrictions on contracting out of railway work; the establishment of retraining programs, and the extension of health and welfare benefits to pensioners.

In the United States the Presidential Commission established early in the year to study management's requests for changes in working rules governing operating employees (including CN's United States employees) had still not reported by year-end. Included among the proposals was the elimination of firemen from freight and yard diesel locomotives.

A dispute with the organizations representing non-operating employees on United States Lines, involving a proposed wage increase of 25 cents per hour and a six-months notice of layoff, was referred to a National Mediation Board.

## Pensions

The rules of the 1959 Pension Plan were amended, with effect from January 1, 1961, to provide a substantial measure of portability of pension rights. Upon leaving service by resignation or otherwise, a member of the Plan having 15 years' service and years of service and age totalling 60 or more, may now elect to receive, commencing at normal retirement age, the full pension attributable to his years of service.

Statements of the Pension Trust Funds appear later in this Report. Total charges against CN earnings for pensions (excluding U.S. Railroad Retirement taxes of \$2.4 million) in 1961 compared with 1960 were as follows:

	1961 (Millions of Dollars)	1960	Increase
1935, 1952 and 1959 Pension Plans	\$22.6	\$20.4	\$2.2
Pre-1935 Plans, etc. (including I.C. and P.E.I. Railways Employees' Provident Fund)	7.0	6.8	0.2
Total	\$29.6	\$27.2	\$2.4

In 1961 there was paid to pensioners and their beneficiaries under the various Canadian National pension arrangements, a total of \$32.8 million. As of December 31st, 28,575 individuals were receiving such payments.

## Other Developments

**Branch Lines** Construction started during the summer on a 61-mile line to the Matagami Lake region in North-Western Quebec. Branching off a line built four years ago to link the Chibougamau area with the System, the new branch is being built primarily to transport zinc and copper concentrates. Preparatory work was undertaken for the construction of the first rail line into the Northwest Territories. As agent of the Federal Government, CN is building the line from near Grimshaw, Alberta, to Great Slave Lake and Pine Point Mines.

**Industrial Development** Canadian National continued to promote and encourage the establishment of new resource, industrial and commercial development along its lines. An increasing number of manufacturing plants and distributing facilities are locating in planned industrial areas, known as industrial parks, and CN is assisting in this trend by providing direct rail service to these developments. During 1961 a total of 708 new manufacturing plants, warehousing and distribution facilities were established in locations served by CN freight services. Of these, some 250 required direct service by private sidings.

**Real Estate** In a move to realize the full potential of its real estate holdings, a broad plan to invite private investors to join with the Canadian National in the re-development of prime railway properties across Canada was announced in 1961. The plan is an extension of the principle already being followed in the re-development of mid-town locations at several CN points. The largest of these projects is the Place Ville Marie complex in the Montreal terminal area which is being carried out by Place Ville Marie Corporation. In Moncton, an agreement was entered into with private promoters to re-develop 25 acres of railway real estate into a modern transportation, commercial, business and entertainment centre. A terminal and office building for CN is an integral part of the scheme. Similar projects are being developed at Campbellton, New Brunswick, and London, Ontario, involving new CN stations and office facilities.

**Marine Services** A new automobile and passenger ferry, the M.V. "Confederation", was launched in Halifax in September. To be operated by CN for the Department of Transport, the ferry will serve on Northumberland Strait between Borden, P.E.I. and Cape Tormentine, N.B.

An additional vessel, the 1000-ton M.V. "Petite Forte", was provided for the Newfoundland coastal services during the year and is being operated by CN for the Department of Transport.

The Grand Trunk Western's rail-car ferry, the M.V. "Madison", which operates in the Lake Michigan service, was remodeled to accommodate piggyback trailers and bi-level and tri-level automobile transporters.



On the West Coast, CN's rail-car ferry M.V. "Canora" inaugurated daily round-trip service between Tilbury Island and Vancouver Island, following completion of a new rail and ferry terminal on Tilbury Island.

**CN-CP Act** Areas where co-operative measures might be undertaken were explored in discussions with the Canadian Pacific Railway Company.

**Board of Directors** His fellow Directors were saddened by the death on May 2, 1961, of Mr. E. W. Bickle, who had rendered invaluable service since his appointment to the Board on October 1, 1957.

On September 30, 1961, Mr. Wilfrid Gagnon, Mr. J. A. Northey and Mr. H. W. Marsh left the Board, after having faithfully and conscientiously served thereon for 25, 22, and three years, respectively.

On October 1, 1961, there was brought into force an amendment to the Canadian National Railways Act providing for an increase from seven to 12 in the number of members of the Board. On that date the Government appointed as additional Directors and to fill the existing vacancies: Messrs. G. E. Ayers, R. A. Brown, Guy Charbonneau, W. A. Colquhoun, W. C. Koerner, J.-Louis Levesque, A. McD. McBain, H. I. Price and J. B. Sangster.

## The Outlook

The 1961 financial result was a cause of deep concern to the Board of Directors and the Management. Over the past several years, despite the most resolute and intense efforts, Canadian National operations have resulted in successive and substantial annual deficits. There are, however, some hopeful signs which could lead to an opportunity for the System to bring a break-even position within its reach. It must be recognized, however, that the attainment of this objective is subject to many complex influencing factors, some within, some beyond, the control of Management. The financial outlook for the immediate future is once again over-shadowed by the implications of the wage and other demands put forward by the unions, particularly those representing the non-operating employees.

The greatest promise for the future may be found in the penetrating analysis contained in the two published volumes of the Royal Commission on Transportation. The Commission in its Report has made recommendations which envisage the kind of framework within which the various elements of the transportation industry would each most efficiently develop the country's resources in transportation and thus most effectively contribute to Canada's growth.

Canadian National, for its part, is capable of adjusting to a new environment. The System's large scale rehabilitation and modernization programs in the physical plant and administrative structure have produced a much more flexible organization aimed at offering the kind of transportation service that is best suited to public demand, both in terms of costs and efficiency.



It should be noted that the major capital program on the property which has been under way during the past decade or more has meant an extremely heavy burden of fixed charges. However, certain provisions of the Capital Revision Act of 1952 have reached the normal expiry date but have been extended temporarily pending a review of Canadian National's capital structure which is currently under way with the appropriate departments of Government.

The immediate years ahead are crucial ones for the railway industry. While the tasks facing it are imposing, the opportunities are challenging.

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The Board of Directors takes pleasure in expressing its appreciation for the loyal services rendered by officers and employees throughout the System.

A handwritten signature in gold ink, appearing to read "Alexander", is positioned above a horizontal line.

Signed on behalf of the Board of Directors

Montreal, March 15, 1962

# Companies Included in the Canadian National System

Canadian National Railway Company  
Canadian National Express Company  
Canadian National Hotels, Limited  
Canadian National Railways (France)  
Canadian National Realties, Limited  
Canadian National Steamship Company, Limited  
Canadian National Telegraph Company  
Canadian National Transfer Company  
Canadian National Transportation, Limited  
The Canadian National Railways Securities Trust  
The Canadian Northern Quebec Railway Company  
The Central Counties Railway Company  
Eastern Transport Limited  
East-West Transport Ltd.  
Empire Freightways Limited  
The Great North Western Telegraph Company of Canada  
Hoar Transport Company Limited  
The Minnesota and Manitoba Railroad Company  
The Minnesota and Ontario Bridge Company  
Montalta Holdings Limited  
Montreal and Southern Counties Railway Company  
The Montreal Stock Yards Company  
The Montreal Warehousing Company  
Mount Royal Tunnel and Terminal Company, Limited  
The Quebec and Lake St. John Railway Company  
Sydney Transfer and Storage Limited  
The Toronto-Peterborough Transport Company, Limited  
Wacos Holdings Limited  
Yellowknife Telephone Company  
Central Vermont Railway, Inc.  
Central Vermont Transportation Company  
Duluth, Rainy Lake & Winnipeg Railway Company  
Duluth, Winnipeg and Pacific Railroad Company  
Duluth, Winnipeg and Pacific Railway Company  
Grand Trunk-Milwaukee Car Ferry Company  
Grand Trunk Western Railroad Company

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In addition, the property of the Canadian Government Railways  
is entrusted to the Canadian National Railway Company as part of the system.

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## Financial and Statistical Statements

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# Consolidated Balance Sheet at December 31, 1961

## Assets

<b>Current Assets</b>	Cash	\$ 25,025,136	
	Accounts receivable	70,579,937	
	Material and supplies	74,609,162	
	Other current assets	14,791,326	
	Government of Canada—Due on deficit account	18,607,772	\$ 203,613,333
	<hr/>		
<b>Insurance Fund</b>			15,000,000
	<hr/>		
<b>Investments in Affiliated Companies Not Consolidated</b>			
	Trans-Canada Air Lines	232,671,000	
	Jointly operated rail and terminal facilities	48,523,266	281,194,266
	<hr/>		
<b>Property Investment</b>	Road	2,388,557,413	
	Equipment	1,329,020,863	
	Other physical properties	110,760,187	
	<hr/>		
		3,828,338,463	
	Less recorded depreciation	681,880,200	3,146,458,263
	<hr/>		
<b>Other Assets and Deferred Charges</b>	Other investments	3,082,002	
	Prepayments	2,551,208	
	Unamortized discount on long term debt	24,236,133	
	Other assets	28,049,584	
	Deferred charges	12,634,915	70,553,842
	<hr/>		
			<u>\$3,716,819,704</u>

## Auditor's Report

To The Honourable The Minister of Transport,  
Ottawa, Canada.

I have examined the consolidated balance sheet of the Canadian National Railway System at December 31, 1961 and the consolidated income statement for the year ended on that date. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion, subject to the position with regard to depreciation accruing prior to the adoption of depreciation accounting as referred to in Note 1, the accompanying consolidated balance sheet and the related consolidated income statement are properly drawn up so as to give a true and fair view of the state of the affairs of the System at December 31, 1961 and of the results of its operations for the year ended on that date according to the best of my information and the explanations given to me and as shown by the books of the System, and in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the System and the transactions that have come under my notice have been within the powers of the System.

J. A. de Lalanne,  
Chartered Accountant.

February 28, 1962

# Consolidated Balance Sheet at December 31, 1961

## Liabilities

<b>Current Liabilities</b>	Accounts payable	\$ 63,298,494	
	Accrued charges	18,686,912	
	Other current liabilities	2,059,406	\$ 84,044,812
<b>Provision for Insurance</b>			15,000,000
<b>Other Liabilities and Deferred Credits</b>			30,932,262
<b>Long Term Debt</b>	Bonds	1,673,076,941	
	Government of Canada loans and debentures	164,593,150	1,837,670,091

## Shareholders' Equity

<b>Government of Canada</b>	6,000,000 shares of no par value capital stock of Canadian National Railway Company	359,963,017	
	946,807,207 shares of 4% preferred stock of Canadian National Railway Company	946,807,207	
	Capital investment of Government of Canada in the Canadian Government Railways	437,903,042	
		1,744,673,266	
<b>Capital Stock of Subsidiary Companies Owned by Public</b>		4,499,273	1,749,172,539
			<b>\$3,716,819,704</b>

The notes appearing on page 24 are an integral part of this Balance Sheet.

L. J. Mills,  
Comptroller



## Notes to Consolidated Financial Statements at December 31, 1961

### Note 1: Property Investment

Additions since January 1, 1923 have been recorded at cost and properties and equipment brought into the System at January 1, 1923 are included at the values appearing in the books of the several railways now comprising the System to the extent that these have not been retired or replaced. Depreciation on Canadian Lines: Depreciation accounting as adopted for equipment in 1940, for hotel properties in 1954 and for track and road structures and all other physical properties except land in 1956 has been continued in 1961. The depreciation rates used are based on the estimated service life of the properties but do not provide for depreciation which was not recorded in prior years under the replacement and retirement accounting principles then in force, nor for extraordinary obsolescence resulting from the introduction of more efficient equipment. Depreciation on U.S. Lines: Replacement accounting for track and depreciation accounting for equipment and other physical property except land has been continued in accordance with the regulations of the Interstate Commerce Commission.

### Note 2: Material and Supplies

The inventory has been priced at laid down cost based on weighted average cost for ties, rails and fuel and latest invoice price for new materials in general stores, and at estimated utility or sales value for usable second hand, obsolete and scrap materials.

### Note 3: St. Lawrence Seaway

The Company's expenditures related to the track diversion and re-arrangement of the approaches to the Victoria Jubilee Bridge necessitated by the construction of the St. Lawrence seaway are included in Other Assets pending settlement with the St. Lawrence Seaway Authority of the Company's claim including interest, amounting to \$13.5 million.

### Note 4: Capital Stock

The capital stock of the Canadian National Railway Company (other than the four per cent preferred stock) and the capital investment of Her Majesty in the Canadian Government Railways are included in the net debt of Canada and disclosed in the historical record of government assistance to railways as shown in the Public Accounts of Canada.

### Note 5: Major Commitments

#### (a) Pension Funds:

The Company has given a written acknowledgement to the Trustee of the Pension Funds for an amount not exceeding \$325,000,000 for the outstanding liability in respect of prior service of active employees.

#### (b) Vacation Pay:

In accordance with past practice the Company has not recorded the liability for vacations earned in 1961 which will be paid in 1962.

#### (c) Chicago & Western Indiana Railroad Company:

Pursuant to a joint supplemental lease dated May 1, 1952, the Grand Trunk Western Railroad Company and four other proprietary-tenant companies are obligated to pay, as rental, sinking fund payments sufficient to retire bonds at maturity and interest as it falls due with respect to First Collateral Trust Mortgage 4 $\frac{3}{8}$ % Sinking Fund Bonds Series "A" due May 1, 1982. The Grand Trunk Western's proportion is one-fifth in the absence of default of any of the other tenant companies. The bonds outstanding at December 31, 1961 total \$49,414,000.

#### (d) Detroit & Toledo Shore Line Railroad Company:

The Grand Trunk Western Railroad Company is jointly and severally liable as guarantor of principal, interest and sinking fund payments with respect to \$2,713,000 First Mortgage 3 $\frac{3}{4}$ % 30 year Series "A" Bonds, due December 1, 1982, of the Detroit & Toledo Shore Line Railroad Company.

## Consolidated Income Statement

		1961	1960
<b>Railway Operating Revenues</b>	Freight	\$513,949,260	\$526,211,675
	Switching, demurrage, etc.	16,007,554	15,696,842
	Passenger	34,793,498	38,323,134
	Sleeping, dining and parlour car, etc.	8,649,032	9,885,427
	Mail	11,650,454	11,820,406
	Express	43,256,496	44,835,020
	Telecommunications	32,930,780	29,933,930
	Other	21,190,099	16,434,672
	Interim payments—Royal Commission on Transportation	27,878,000	
	<b>Total operating revenues</b>	<b>710,305,173</b>	<b>693,141,106</b>
<b>Railway Operating Expenses</b>	Road maintenance	166,739,542	157,098,674
	Equipment maintenance	147,654,575	150,727,161
	Sales	16,398,837	15,497,178
	Transportation	311,629,593	308,700,262
	Miscellaneous operations	6,369,685	6,299,386
	General	53,293,780	47,471,631
	Railway tax accruals	19,791,374	20,252,512
	Equipment and joint facility rents	270,197	228,494
	<b>Total operating expenses</b>	<b>722,147,583</b>	<b>705,818,310</b>
<b>Net Railway Operating Loss</b>	<b>11,842,410</b>	<b>12,677,204</b>	
<b>Other Income</b>	Miscellaneous rents	1,680,997	1,604,065
	Income from non-rail properties	1,168,553	1,066,949
	Hotel income	1,621,091	1,859,852
	Dividend income	299,616	239,166
	Interest income	1,490,865	1,695,224
	Miscellaneous	749,426	261,784
<b>Total other income</b>	<b>7,010,548</b>	<b>6,203,472</b>	
<b>Deficit before Fixed Charges</b>	<b>4,831,862</b>	<b>6,473,732</b>	
<b>Fixed Charges</b>	Interest on bonds	69,055,215	60,349,530
	Interest on government loans	1,480,367	6,538,714
	Amortization of discount on bonds	2,451,660	2,200,559
	<b>Total fixed charges</b>	<b>72,987,242</b>	<b>69,088,803</b>
<b>Less Interest on loans to Trans-Canada Air Lines</b>	<b>10,511,332</b>	<b>8,065,758</b>	
<b>Net fixed charges</b>	<b>62,475,910</b>	<b>61,023,045</b>	
<b>Deficit</b>	<b>\$ 67,307,772</b>	<b>\$ 67,496,777</b>	



## Property Investment Statement

<b>Property Investment at December 31, 1960</b>		<b>\$3,767,316,630</b>
<hr/>		
<b>Capital Expenditures in 1961</b>		
New lines and diversions	\$ 5,461,026	
Roadway improvements	34,999,431	
Large terminals	13,340,522	
Yard tracks and sidings	1,728,122	
Buildings	13,656,850	
Highway crossing protection	622,120	
Signals	2,860,498	
Roadway and shop machinery	1,615,128	
Other facilities	3,399,458	
Telecommunication facilities	19,196,288	
	<hr/>	
	96,879,443	
Branch Lines	1,331,899	
Hotels	1,792,557	
Equipment	11,944,946	\$111,948,845
	<hr/>	
Government of Canada net expenditure on Canadian Government Railways	2,308,161	
Properties of companies acquired	3,894,722	
	<hr/>	
Additions to property in 1961	118,151,728	
Deduction in respect of property retirements in 1961	57,129,895	61,021,833
	<hr/>	
<b>Property Investment at December 31, 1961</b>		<b><u>\$3,828,338,463</u></b>

## Recorded Depreciation Statement

<b>Recorded Depreciation at December 31, 1960</b>		<b>\$ 627,462,210</b>
<hr/>		
Add Provision for depreciation for the year		
Road property	\$ 45,579,227	
Equipment	44,812,220	
Other Physical Properties	2,276,397	\$ 92,667,844
	<hr/>	
Recorded depreciation of companies acquired	2,413,533	
	<hr/>	
	95,081,377	
Deduct Charges in respect of property retirements	40,663,387	54,417,990
	<hr/>	
<b>Recorded Depreciation at December 31, 1961</b>		<b><u>\$ 681,880,200</u></b>

## Long Term Debt

	Rate %	Maturity (See Note)		Currency in which payable	Outstanding at Dec. 31, 1960	Transactions Year 1961 Increase or Decrease	Outstanding at Dec. 31, 1961
<b>Bonds, Debenture Stocks and Equipment Obligations</b>	3½	May 19, 1961	Canadian Northern Ontario Debenture Stock	Sterling	\$ 3,597,518	\$3,597,518	
	3	Jan. 1, 1962	Grand Trunk Pacific Bonds	Can.-U.S.-Stg.	26,465,130		\$ 26,465,130
	4	Jan. 1, 1962	Grand Trunk Pacific Bonds	Can.-U.S.-Stg.	7,999,074		7,999,074
	2¾	Feb. 1, 1963 a	Canadian National 8 Year 1½ Month Bonds	Canadian	250,000,000		250,000,000
	5½	Dec. 15, 1964 b, i	Canadian National 5 Year Bonds	Canadian	199,000,000	11,000	198,989,000
	3	Jan. 3, 1966 c	Canadian National 17 Year Bonds	Canadian	35,000,000		35,000,000
	2¾	Jan. 2, 1967 d	Canadian National 20 Year Bonds	Canadian	50,000,000		50,000,000
	4½	Apr. 1, 1967 i	Canadian National 6½ Year Bonds	Canadian	73,500,000	750,000	72,750,000
	5	May 15, 1968 i	Canadian National 9 Year Bonds	Canadian	56,400,000		56,400,000
	2⅞	Sept. 15, 1969 e	Canadian National 20 Year Bonds	Canadian	70,000,000		70,000,000
	2⅞	Jan. 16, 1971 f	Canadian National 21 Year Bonds	Canadian	40,000,000		40,000,000
	5½	Dec. 15, 1971 i, j	Canadian National 12 Year Bonds	Canadian		11,000	11,000
	3¾	Feb. 1, 1974 g	Canadian National 20 Year Bonds	Canadian	200,000,000		200,000,000
	2¾	June 15, 1975 h	Canadian National 25 Year Bonds	U.S.	6,000,000		6,000,000
	5	May 15, 1977 i	Canadian National 18 Year Bonds	Canadian	86,400,000	450,000	85,950,000
	4	Feb. 1, 1981	Canadian National 23 Year Bonds	Canadian	300,000,000		300,000,000
	5¾	Jan. 1, 1985 i	Canadian National 25 Year Bonds	Canadian	99,500,000		99,500,000
	5	Oct. 1, 1987 i	Canadian National 27 Year Bonds	Canadian	173,250,000	1,750,000	171,500,000
	4½	Sept. 15, 1979	Grand Trunk Western Note	Can.-U.S.	400,000		400,000
	5½	Perpetual	Buffalo and Lake Huron 1st Mortgage Bonds	Sterling	795,366		795,366
5½	Perpetual	Buffalo and Lake Huron 2nd Mortgage Bonds	Sterling	1,228,399		1,228,399	
5	Perpetual	Debenture Stocks—Various	Sterling	88,972		88,972	
4	Perpetual	Debenture Stocks—Various	Sterling	8,784	8,784		
2¾	Jan. 15, 1961	Equipment Trust Certificates—Series "V"	Canadian	675,000	675,000		
<b>Total Bonds, Debenture Stocks and Equipment Obligations</b>					<b>1,680,308,243</b>	<b>7,231,302</b>	<b>1,673,076,941</b>
<b>Government of Canada Loans and Debentures</b>	Capital Revision Act: Jan. 1, 1972 Debenture			Canadian	100,000,000		100,000,000
	Canadian Government Railways: Advances for Working Capital			Canadian	16,983,762		16,983,762
	Financing and Guarantee Acts: Temporary Loans			Canadian	31,037,938	14,533,062	45,571,000
	Refunding Act, 1955: Loans for Debt Redemption			Canadian		2,038,388	2,038,388
<b>Total Government of Canada Loans and Debentures</b>					<b>148,021,700</b>	<b>16,571,450</b>	<b>164,593,150</b>
<b>Total Long Term Debt</b>					<b>\$1,828,329,943</b>	<b>\$9,340,148</b>	<b>\$1,837,670,091</b>

Note: a Callable at par on or after Feb. 1, 1961  
b Exchangeable on or before June 15, 1964  
for 5½% bonds due Dec. 15, 1971  
c Callable at par on or after Jan. 3, 1961  
d Callable at par on or after Jan. 2, 1964  
e Callable at par on or after Sept. 15, 1964  
f Callable at par on or after Jan. 16, 1966  
g Callable at par on or after Feb. 1, 1972  
h Callable on or before June 14, 1962, at 101½%;  
thereafter at varying redemption premiums.  
i Amounts of ½% or 1% of the original  
issues may be purchased quarterly  
through Purchase Funds operated under  
the conditions of each issue.  
j Exchanged for 5½% bonds due Decem-  
ber 15, 1964.

## Shareholders' Equity

<b>Government of Canada</b>	No par value capital stock of Canadian National Railway Company	\$ 359,963,017		\$ 359,963,017
	4% Preferred stock of Canadian National Railway Company	925,585,264	\$ 21,221,943	946,807,207
	Capital investment in Canadian Government Railways	435,594,881	2,308,161	437,903,042
<b>Total Government of Canada</b>		<b>1,721,143,162</b>	<b>23,530,104</b>	<b>1,744,673,266</b>
<b>Capital Stock of Subsidiary Companies Owned by Public</b>		4,499,284	11	4,499,273
	<b>Total Shareholders' Equity</b>	<b>\$1,725,642,446</b>	<b>\$23,530,093</b>	<b>\$1,749,172,539</b>



## Investments in Jointly Operated Rail and Terminal Facilities

		Percentage Held	Investment at Dec. 31, 1960	Transactions Year 1961 Increase or Decrease	Investment at Dec. 31, 1961
The Belt Railway Company of Chicago	Capital Stock	7.69	\$ 240,000		\$ 240,000
	Advances		72,344	\$ 2,168	74,512
Chicago & Western Indiana Railroad Company	Capital Stock	20	1,000,000		1,000,000
	Advances		6,389,852	412,609	6,802,461
The Detroit & Toledo Shore Line Railroad Company	Capital Stock	50	1,500,000		1,500,000
	Capital Stock		1,000,000		1,000,000
Detroit Terminal Railroad Company	Capital Stock	50	8,440,000	100,000	8,540,000
	Bonds		16,702,500	200,000	16,902,500
Northern Alberta Railways Company	Advances		300,000	300,000	
	Capital Stock	50	575,000		575,000
The Public Markets, Limited Railway Express Agency, Inc.	Capital Stock	0.6	600		600
	Advances		173,493		173,493
The Shawinigan Falls Terminal Railway Company	Capital Stock	50	62,500		62,500
The Toronto Terminals Railway Company	Capital Stock	50	250,000		250,000
	Bonds	50	11,287,200	85,000	11,202,200
	Advances		200,015	15	200,000
<b>Total</b>			<b>\$ 48,193,504</b>	<b>\$ 329,762</b>	<b>\$ 48,523,266</b>

## Source and Application of Funds for the Year 1961

<b>Source of Funds</b>	Amount recoverable from Government of Canada in respect of deficit for the year (including \$48,700,000 received on account prior to December 31, 1961)	\$ 67,307,772
	Increase in long term debt	9,340,148
	Provision for depreciation	92,667,844
	Issue of 4% preferred stock	21,221,943
	Other	22,693,401
<b>Total</b>	<b>\$213,231,108</b>	

<b>Application of Funds</b>	Deficit for the year	\$ 67,307,772
	Additions to property investment	118,151,728
	Advances to Trans-Canada Air Lines	18,571,000
	Increase in working capital	9,200,608
<b>Total</b>	<b>\$213,231,108</b>	

## Inventory of Railway Equipment

		On Hand Dec. 31, 1961
<b>Motive Power Equipment</b>	Diesel Electric Units	2,132
	Electric Locomotives	27
	Steam Generator Units	108
	<b>Total</b>	<b>2,267</b>
<b>Freight Equipment</b>	Box, Flat and Stock Cars	78,447
	Refrigerator Cars	5,181
	Gondola and Hopper Cars	23,904
	Caboose and Other Cars	1,926
	<b>Total</b>	<b>109,458</b>
<b>Passenger Equipment</b>	Coach Cars	808
	Sleeping, Dining, Parlour, and Tourist	628
	Baggage, Mail and Express	1,350
	Other Cars in Passenger Service	288
	<b>Total</b>	<b>3,074</b>
<b>Work Equipment</b>	Units in work service	9,557
<b>Floating Equipment</b>	Car Ferries	6
	Steamers	13
	Barges, Tugs and Work	15
	<b>Total</b>	<b>34</b>

## Operated Mileage at December 31, 1961

		Owned	Leased	Trackage Rights	Total
<b>Operated Road Mileage— first main track</b>	Atlantic Region	3,802	1	83	3,886
	St. Lawrence Region (including New England Lines)	3,786	172	15	3,973
	Great Lakes Region	3,324		17	3,341
	Prairie Region (including Duluth, Winnipeg and Pacific)	8,148		5	8,153
	Mountain Region	4,067	35	85	4,187
	Grand Trunk Western Lines	879	10	58	947
	Central Vermont Lines	315		59	374
	<b>Total</b>	<b>24,321</b>	<b>218</b>	<b>322</b>	<b>24,861</b>
	Lines in Canada	22,886	36	202	23,124
	Lines in United States	1,435	182	120	1,737
<b>Operated Mileage—all tracks</b>	First main track	24,321	218	322	24,861
	All other main lines	1,146		82	1,228
	Spurs, sidings and yard tracks	7,170	68	1,641	8,879
	<b>Total all tracks</b>	<b>32,637</b>	<b>286</b>	<b>2,045</b>	<b>34,968</b>



# Pension Trust Funds Balance Sheet at December 31, 1961

## Assets

<b>Current Assets</b>	Cash	\$ 740,248	
	Accrued interest on investments	3,549,459	
	Accounts receivable—		
	Canadian National Railways—current account	1,398,897	
	Banks, Insurance and Trust Companies re Mortgages	233,034	\$ 5,921,638
	<hr/>		
<b>Investments</b>	Bonds—at amortized value (Market value \$250,709,213)	270,679,154	
	Mortgages—at amortized value	108,304,001	
	Stocks—at cost (Market value \$32,467,404)	27,801,390	406,784,545
	<hr/>		
<b>Canadian National Railways</b>	Acknowledged liability in respect of past service of employees		325,000,000
	<hr/>		
			<u>\$737,706,183</u>

## Liabilities

<b>Current Liabilities</b>	Refunds of employees' contributions	\$ 38,641	
<b>Reserve for Pensions</b>	In respect of pensions in force and pensions accruing to active employees under the 1935, 1952 and 1959 Pension Plans		737,667,542
	<hr/>		
			<u>\$737,706,183</u>

**Note:** The Reserve for Pensions includes the accumulated contributions of certain employees in service, with interest thereon, which are held in trust under the rules of the 1935 Pension Plan as follows—

Annuity Trust Fund	\$ 9,773,091	
Supplemental Annuity Trust Fund	2,266,378	
	<hr/>	
	<u>\$ 12,039,469</u>	

L. J. Mills,  
Comptroller

## Pension Trust Funds Statement of Reserve at December 31, 1961

	<b>Reserve at December 31, 1960</b>	<b>\$703,839,892</b>
<b>Additions to Reserve during the year:</b>	Contributions from employees on account of—	
	Current service	\$ 15,994,662
	Prior years' deficiencies	5,752,008
		21,746,670
	Less refunds on termination of service, etc.	2,350,549
		\$ 19,396,121
	Contributions by the Company	22,609,799
	Interest earned on contributions made by the Company and employees	17,089,758
		59,095,678
<b>Deductions from Reserve during year:</b>	Pensions paid	762,935,570
		25,268,028
	<b>Reserve at December 31, 1961</b>	<b>\$737,667,542</b>

### Auditor's Report

To the Trustee,  
Canadian National Railways Pension Funds.

I have examined the balance sheet of the Pension Trust Funds of the 1935, 1952 and 1959 Pension Plans of Canadian National Railways at December 31, 1961 and the statement of reserve for pensions for the year ended on that date. My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion, the accompanying balance sheet and related statement of reserve for pensions are properly drawn up so as to give a true and fair view of the state of the affairs of the Funds at December 31, 1961 and of the results of their operations for the year ended on that date according to the best of my information and the explanations given to me and as shown by the books of the Funds, and in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Trustee and that the transactions that have come under my notice have been within the powers of the Trustee.

J. A. deLalanne,  
Chartered Accountant

February 28, 1962

### Actuarial Certificate

This is to certify that, on the basis of the information made available to us, the Reserve for Pensions shown in the Balance Sheet of the Pension Trust Funds of Canadian National Railways, amounting to \$737,667,542 as at December 31, 1961, in our opinion, represented adequate provision for the accumulated liabilities of the pensions then approved and in force and the pensions accrued to the above date in respect of employees then in service under the 1935, 1952 and 1959 Plans, excluding pensions granted under prior Plans.

Denis R. J. George,  
Dudley Funnell,  
Fellows of the Institute of Actuaries.

William M. Mercer Limited  
Montreal, February 23, 1962



# Statistics of Rail-Line Operations

		1961	1960	% Increase or Decrease
<b>Train Miles</b>	Freight service	34,041,907	34,379,411	1.0
	Passenger service	19,576,875	21,292,408	8.1
	Work service	1,561,665	1,854,116	15.8
	<b>Total train miles</b>	<b>55,180,447</b>	<b>57,525,935</b>	<b>4.1</b>
<b>Locomotive Miles</b>	Freight service	34,299,804	34,668,264	1.1
	Passenger service	17,407,808	18,889,759	7.8
	Switching service—Road and Yard	18,066,116	19,236,884	6.1
	Work service	1,583,756	1,884,559	16.0
<b>Total locomotive miles</b>	<b>71,357,484</b>	<b>74,679,466</b>	<b>4.4</b>	
<b>Car Miles</b>	<b>Freight Service:</b>			
	Loaded	1,092,918,197	1,096,828,191	0.4
	Empty	664,846,763	640,637,859	3.8
	Other	14,417,958	12,905,532	11.7
	Caboose	34,420,941	34,694,729	0.8
	Passenger—Coach and Combination	3,074,942	3,335,585	7.8
		<b>1,809,678,801</b>	<b>1,788,401,896</b>	<b>1.2</b>
	<b>Passenger Service:</b>			
	Coach and Combination	42,009,734	46,282,768	9.2
	Sleeping, Parlor and Observation	42,646,795	48,136,271	11.4
	Dining	8,434,799	9,062,681	6.9
	Motor Unit	3,782,495	3,913,225	3.3
	Other (baggage and express, etc.)	84,810,887	88,302,987	4.0
Freight—loaded	2,523,331	2,637,008	4.3	
Freight—empty	454,211	174,313	160.6	
	<b>184,662,252</b>	<b>198,509,253</b>	<b>7.0</b>	
Work Service	3,302,287	4,391,784	24.8	
<b>Total car miles</b>	<b>1,997,643,340</b>	<b>1,991,302,933</b>	<b>0.3</b>	
<b>Ton Miles</b>	Gross ton miles—all services (excluding passenger cars on passenger trains)	78,849,250,000	77,651,094,764	1.5
	Net ton miles—all services	35,280,613,000	34,578,461,593	2.0
<b>Average Miles of Road Operated</b>		<b>24,854.33</b>	<b>24,944.53</b>	<b>0.4</b>
<b>Freight Traffic</b>	Freight revenue	\$ 513,949,260	526,211,675	2.3
	Tons carried—Revenue freight	76,022,886	77,688,926	2.1
	Ton miles—Revenue freight	34,723,214,717	34,011,491,932	2.1
	Train hours in freight road service	1,569,482	1,663,290	5.6
	<b>Averages Per Mile of Road:</b>			
	Freight revenue	\$ 20,678	21,095	2.0
	Train miles	1,370	1,378	0.6
	Total freight train car miles	72,241	71,178	1.5
	Ton miles—Revenue freight	1,397,069	1,358,680	2.8
	Ton miles—All freight	1,419,496	1,400,758	1.3
	<b>Averages Per Loaded Car Mile:</b>			
	Freight revenue	¢ 46.9	47.9	2.1
	Ton miles—All freight	32.2	31.9	0.9

## Statistics of Rail-Line Operations (continued)

		1961	1960	% Increase or Decrease
<b>Freight Traffic (Continued)</b>	<b>Miscellaneous Averages:</b>			
	Revenue per ton	\$ 6,760	6,773	0.2
	Revenue per ton mile	¢ 1,480	1,547	4.3
	Miles hauled per revenue ton	456.7	437.8	4.3
	Cars per train—loaded	32.1	31.9	0.6
	Cars per train—empty	19.5	18.6	4.8
	Gross load—Freight trains (tons)	2,313	2,260	2.3
	Net load—Freight trains (tons)	1,035	1,007	2.8
	Gross ton miles per freight train hour	50,172	46,628	7.6
	Train speed—Miles per hour	21.7	20.7	4.8
	Diesel unit miles per serviceable day (excluding stored)	208	204	2.0
<b>Passenger Traffic</b>	Passenger revenue	\$ 34,793,498	38,323,134	9.2
	Revenue passengers carried	12,104,791	13,307,901	9.0
	Revenue passenger miles	1,075,770,694	1,208,382,297	11.0
	<b>Averages Per Mile of Road:</b>			
	Passenger revenue	\$ 1,400	1,536	8.9
	Train miles	788	854	7.7
	Total passenger train car miles	8,000	8,317	3.8
	Revenue passenger miles	43,283	48,443	10.7
	<b>Averages Per Car Mile—Passenger:</b>			
	Passenger revenue	¢ 23.5	24.2	2.9
	Revenue passenger miles	12.0	12.1	0.8
	<b>Miscellaneous Averages:</b>			
	Revenue per passenger	\$ 2.874	3.187	9.8
	Revenue per passenger mile	¢ 3.234	3.171	2.0
	Average passenger journey (miles)	88.9	100.0	11.1
	Percent on time arrival—principal passenger trains	71.4	68.1	4.8
Diesel unit miles per serviceable day (excluding stored)	379	379		
<b>Operating Results</b>	Total operating revenues per mile of road	\$ 28,579	27,787	2.9
	Total operating expenses per mile of road	29,055	28,295	2.7
	Net railway operating loss per mile of road	476	508	6.3

		1961	1960	Increase or Decrease	
				Tons	%
<b>Revenue Tonnage Carried (by classes of commodities)</b>	Agricultural Products	14,402,246	13,637,537	764,709	5.6
	Animals and Animal Products	737,974	761,707	23,733	3.1
	Mine Products	26,624,648	28,076,013	1,451,365	5.2
	Forest Products	8,413,443	8,772,268	358,825	4.1
	Manufactured and Miscellaneous	24,999,336	25,598,967	599,631	2.3
	Total Carload Freight	75,177,647	76,846,492	1,668,845	2.2
	All less than carload freight	845,239	842,434	2,805	0.3
<b>Grand Total</b>	<b>76,022,886</b>	<b>77,688,926</b>	<b>1,666,040</b>	<b>2.1</b>	



## A 25-Year Synoptical History of the Canadian National Railways

Year	Operating Revenues	Operating Expenses	Net Railway Operating Profit or Loss	Other Income	Surplus or Deficit before Fixed Charges	Fixed Charges	Surplus or Deficit	Freight Revenue Ton Miles	Freight Revenue per Ton Mile	Revenue Passenger Miles	Revenue per Passenger Mile	Average Number of Employees	Average Hourly Earnings per Employee
	Thousands	Thousands	Thousands	Thousands	Thousands	Thousands	Thousands	Millions	¢	Millions	¢		\$
1937	\$198,397	\$188,888	\$ 9,509	\$ 1,415	\$ 10,924	\$ 53,270	\$ 42,346	15,165	1.014	953	1.987	84,363	.613
1938	182,242	184,375	2,133	1,271	862	53,452	54,314	14,505	.964	892	2.030	79,940	.653
1939	203,820	191,382	12,438	955	13,393	53,488	40,095	17,084	.938	875	2.035	81,672	.652
1940	247,527	211,563	35,964	376	36,340	53,305	16,965	21,532	.904	1,125	1.929	86,366	.650
1941	304,377	248,750	55,627	1,551	57,178	53,162	4,016	27,200	.881	1,762	1.810	95,362	.682
1942	375,655	300,725	74,930	1,803	76,733	51,670	25,063	31,729	.909	2,708	1.784	100,651	.730
1943	440,616	358,982	81,634	6,195	87,829	52,190	35,639	36,327	.894	3,619	1.848	106,893	.763
1944	441,147	373,422	67,725	5,776	73,501	50,474	23,027	36,016	.893	3,697	1.888	108,278	.827
1945	433,773	365,895	67,878	5,888	73,766	49,010	24,756	34,600	.915	3,338	1.953	110,591	.832
1946	400,586	369,027	31,559	6,164	37,723	46,685	8,962	30,812	.975	2,289	2.190	109,809	.898
1947	438,198	414,487	23,711	6,330	30,041	45,926	15,885	32,945	1.040	1,845	2.332	112,801	.927
1948	491,270	481,094	10,176	2,633	12,809	46,342	33,533	32,943	1.195	1,755	2.368	115,395	1.064
1949	500,723	495,176	5,547	1,042	6,589	48,632	42,043	30,922	1.276	1,621	2.671	116,057	1.104
1950	553,831	513,387	40,444	3,717	44,161	47,422	3,261	31,988	1.394	1,408	2.834	116,347	1.133
1951	624,834	599,237	25,597	7,548	33,145	48,177	15,032	36,435	1.369	1,611	2.947	124,608	1.294
1952	675,219	655,725	19,494	6,063	25,557	25,415	142	38,430	1.397	1,635	2.964	131,297	1.425
1953	696,622	676,465	20,157	9,463	29,620	29,376	244	36,678	1.509	1,539	2.984	130,109	1.525
1954	640,637	639,998	639	3,130	3,769	32,527	28,758	32,882	1.529	1,472	2.973	122,237	1.550
1955	683,089	646,378	36,711	7,011	43,722	33,004	10,718	35,677	1.511	1,464	3.001	119,430	1.560
1956	774,801	728,009	46,792	11,068	57,860	31,783	26,077	41,935	1.461	1,501	3.054	126,639	1.645
1957	753,166	755,214	2,048	9,447	7,399	36,972	29,573	36,674	1.601	1,499	3.124	124,620	1.716
1958	704,947	719,211	14,264	9,194	5,070	46,521	51,591	35,077	1.554	1,269	3.270	113,086	1.798
1959	740,165	741,852	1,687	6,897	5,210	48,798	43,588	35,542	1.613	1,272	3.159	111,538	1.905
1960	693,141	705,818	12,677	6,203	6,474	61,023	67,497	34,011	1.547	1,208	3.171	104,155	1.945
1961	710,305	722,147	11,842	7,010	4,832	62,476	67,308	34,723	1.480	1,076	3.234	99,564	2.060





