

ANNUAL REPORT

— OF THE —

CANADIAN NATIONAL RAILWAY SYSTEM

FOR THE YEAR ENDED DECEMBER 31, 1935

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CANADIAN NATIONAL RAILWAYS

Montreal, Que., March 10th, 1936

The Honourable C. D. Howe, M.P.,
Minister of Railways and Canals,
Ottawa.

Sir:

In conformity with sections 14 and 15 of The Canadian National—Canadian Pacific Act, 1933, we have the honour to submit the following report to Parliament:

RESULT OF OPERATIONS

	1935	1934	Increase or Decrease
Operating Revenues.....	\$173,184,501.82	\$164,902,501.66	\$8,282,000
Operating Expenses.....	158,926,248.66	151,936,078.56	6,990,170
Net Operating Revenue.....	\$14,258,253.16	\$12,966,423.10	\$1,291,830
Net of Taxes, Rentals and Other Cash Requirements.....	7,427,254.27	5,562,577.95	1,864,676
Net Available for Interest.....	\$6,830,998.89	\$7,403,845.15	\$572,846
Interest on Funded Debt held by Public.....	53,468,792.22	55,811,745.85	2,342,953
Interest on Government Loans for Refunding.....	783,671.47	.....	783,671
Cash Deficit.....	\$47,421,464.80	\$48,407,900.70	\$986,436

Operating Revenues

Gross operating revenues again showed an improvement over the preceding year and although the volume of traffic still leaves much to be desired, the gains recently made and the immediate prospects are encouraging. The increase in revenue was \$8,282,000 or 5.02%, of which \$5,114,000 was secured in the final quarter of the year. The increase of 5.02% compares with an increase of 5.5% on United States Class 1 railroads.

Freight revenue increased \$7,626,496 or 6.05%. There was an increase in tonnage on all regions particularly on the Grand Trunk Western Lines which enjoyed an increase of 24.25%. The action of the automobile industry in changing production schedules to eliminate the seasonal rush of previous years, resulted in a large increase on the Grand Trunk Western Lines during the latter part of the year. System tonnage was unfavourably affected by the decrease in the movement of agricultural products, particularly grain, crop conditions again having been unsatisfactory in Western Canada. This situation, which also indirectly affects many other lines of industry, together with the competition of highway and water carriers, prevented a more satisfactory increase in freight tonnage.

The increase in passenger revenue amounted to \$313,471 or 1.9%. The low fare excursions were continued with satisfactory results. The reason for the small increase, aside from these excursions, can be attributed chiefly to two factors: first, the increased use of air-conditioned equipment and high speed trains with intensified advertising of these features on the part of United States railroads which reduced travel in Canada, and second, increased highway competition.

Both mail and express traffic showed a slight increase.

Operating Expenses

Operating Expenses for the year 1935 totalled \$158,926,249, as compared with \$151,936,079 for 1934, an increase of \$6,990,170, or 4.6%. The increase of 1.92% in passenger traffic was taken care of with an increase of 1.3% in passenger train mileage. The increase of 6.05% in freight traffic necessitated additional freight train service to the extent of 3.3%, an additional 819,253 freight train miles having been required.

In addition to the expense of providing additional services to accommodate increased traffic, Operating Expenses were increased \$4,491,482 as a result of reduction in wage cuts, referred to under the Wages and Labour Section of this report.

The expenditure on locomotive fuel increased from \$14,705,092 in 1934 to \$15,585,008 in 1935, an increase of \$879,915, or 6%. One-third of this increase was due to increased consumption and two-thirds to increased prices.

The following averages indicate a continued improvement in freight service operation:

	1935	1934
Gross Tons per Freight Train.....	1,540	1,535
Net Tons per Freight Train.....	644	642
Gross Ton Miles per Freight Train Hour.....	24,900	24,000
Miles per Freight Train Hour.....	16.2	15.6

Fuel consumption, on the basis of pounds of coal consumed per 1,000 gross ton miles, dropped from 120 in 1934 to 118 in 1935.

The operating ratio for 1935 was 91.77% as compared with 92.14% in 1934.

The following is a comparison of operating expenses, by general accounts:

	1935	1934	Inc. or Dec.	%
Maintenance of Way & Structures.....	\$34,420,886	\$33,544,107	\$876,779	2.61
Maintenance of Equipment.....	34,393,565	32,574,793	1,818,772	5.58
Traffic.....	4,740,013	4,787,011	46,998	.98
Transportation.....	77,131,971	72,754,823	4,377,148	6.02
Miscellaneous Operations.....	1,015,265	1,008,738	6,527	.65
General.....	7,636,464	7,660,580	24,116	.31
Transportation for Investment—Credit.....	411,915	393,973	17,942	4.55
Total.....	\$158,926,249	\$151,936,079	\$6,990,170	4.60

The increase of 4.6% in total Operating Expenses compares with an increase of 6.3% on United States Class 1 Railroads.

Net Operating Revenue

Net Operating Revenue, i.e., the amount of revenue remaining after payment of all Operating Expenses, was \$14,258,253, compared with \$12,966,423 in the previous year. Having regard to the effect on operating expenses due to wage adjustments and increased price of fuel and other materials, the improved net revenue is regarded as satisfactory.

Taxes, Rentals, etc.

This item embraces a large number of accounts such as: taxes, hotel operations, equipment rents, joint facility rents, dividends, the results of separately operated properties, exchange, etc., all of which accounts are set out in the income and profit and loss statements, pages 18 and 19. The increase of \$1,864,676 is principally due to:—

Increased per diem charges on foreign lines' freight cars.....	\$115,000
Reduced dividends from Detroit Terminal Railroad and The Detroit & Toledo Shore Line Railroad Companies.....	160,000
Reduced income from Equipment Trust Sinking Funds, by reason of the re-investment of assets in securities carrying lower interest rates and the maturity of Series "E" Trust, May 1st, 1935.....	524,000
Expiration of annual subsidy from the Province of Manitoba towards cost of operating Manitoba Northern Railway.....	100,000
Increased loss on exchange on Sterling and United States funds which cost \$1,250,166 in 1935 against \$857,135 in 1934.....	393,000
Increased loss on operation of separately operated properties.....	409,000
Proportion of premium on bonds called for redemption.....	98,000

Interest on Funded Debt held by the Public

Interest on Government loans for refunding

The two items combined show total requirements in 1935 to be \$54,252,463 against \$55,811,745 in 1934, a decrease of \$1,559,000, principally due to the refunding of maturing and callable issues at lower rates of interest. The extent of the reduction is not fully reflected in the 1935 accounts. The amount of \$783,671 represents payments to the Government to re-imburse it for the cost of temporary financing pending the issue of new securities to the public by the Railway which was effected February 15th, 1936.

Cash Deficit

The amount of cash required on deficit account by the Railway for the calendar year 1935 is \$47,421,464 against \$48,407,900 in the previous year. It should be noted that in the detailed accounts of the Railway submitted herewith, there are included various charges, such as: interest accruals on Government loans, depreciation accruals on lines in the United States, amortization of discount on funded debt, capital losses on physical property retired from service and not replaced, and the book loss resulting from the exceptional program of obsolete equipment retirements. Such charges have been excluded in compiling the cash requirements for the year in accordance with Chapter 17, 1935.

CAPITAL EXPENDITURES

The authorized expenditures for the year 1935 were \$5,500,000, of which \$220,400 was for Acquisition of Securities and \$5,279,600 for General Additions and Betterments, less Retirements.

Acquisition of Securities

Of the Budget provision of \$220,400 for anticipated advances to the Northern Alberta Railways and the Toronto Terminals Railway, no portion was used.

Additions and Betterments—less Retirements

The amount authorized was \$5,279,600. The actual expenditures compared with the Budget, were as follows:

	Budget	Actual
Additions and Betterments.....	\$11,018,793	\$6,394,444
Less—Equipment Retirements.....	5,739,193	5,707,357
	<u>\$ 5,279,600</u>	<u>\$ 687,087</u>

The expenditures for additions and betterments were less than the Budget authority, because expenditures were confined to those essential for safety of operation, or necessary to comply with the requirements of regulatory bodies, and because of curtailment in or postponement of programmed work due to traffic failing to measure up to the volume upon which the Budget was based.

Additions to Capital Investment Account, in part, comprise improvements made concurrently with the replacement of existing railway property, such as: relaying with heavier section, rail, fastenings, tie plates and rail anchors; the substitution of rock for gravel or cinder ballast; replacement by creosoted ties of untreated ties; replacement by permanent structures of culverts and timber trestles installed at time of original construction; application of more efficient type devices or parts to freight and passenger equipment; the installation of more efficient shop machines in place of existing shop machinery; the elimination of highway crossings by bridges, as well as changes in highway crossing protection.

In addition to such items, the following constitute the more important Capital Expenditures which were undertaken in 1935:

Under an agreement, dated January 6th, 1930, between the Canadian National Railways and the City of London, Ontario, the Railway undertook with the City to install certain grade separations, and to erect a new passenger station. Under this agreement, the Railway, during 1931, constructed subways at Richmond and Wellington Streets, and in 1934 the station concourse, platform and canopies. In 1935 work was commenced on the erection of the new brick and stone passenger station, with baggage and express wings, to replace the old and inadequate station facilities. At December 31st, this work was 40% completed.

Extensions were made to five stalls at Turcot Roundhouse to bring them to a maximum length of 150 feet, so as to house more satisfactorily the larger type locomotives which operate from this point.

A plant was constructed at Transcona for the reclamation of oils and waste.

The freight car shop at Port Huron, Mich., which was destroyed by fire on January 9th, 1935, was rebuilt.

A new track layout was completed at Flint, Mich., to serve more efficiently the industries there.

During the year orders were placed for the purchase of 100, 70-ton gondola cars, essential to traffic requirements on the Grand Trunk Western Railroad. At December 31st, 61 of these had been received.

The construction and equipping of "The Bessborough Hotel" at Saskatoon was completed, and the hotel was opened to the public in December.

Construction of "The Canadian National Hotel" at Vancouver was continued.

FINANCE

Retirement of Obligations

The authorized expenditures in the 1935 Budget for the retirement of Capital Obligations, including Sinking Fund and Equipment Principal Payments, were \$8,700,000. The actual requirements were \$8,274,312.

Refunding of Maturing Obligations

Part 2 of Act, Chapter 28, 1934, provided for the refunding of certain securities described in the schedule to the Act, including:—

\$17,000,000 Canadian Northern Railway 10-year 4½% Gold Bonds, maturing February 15th, 1935.

These Gold Bonds were held as under:

\$ 6,831,000 by the Public

4,751,000 by the Trust Fund under Equipment Series "E"

5,418,000 by the Trust Fund under Equipment Series "F"

\$17,000,000

The first two amounts \$11,582,000 (after a temporary arrangement) were paid off out of the proceeds of the issue of \$48,400,000 Bonds dated May 1st, 1935. The balance \$5,418,000 was taken care of by the

substitution with the Trustees under Equipment Trust Series "F" of a temporary 2% guaranteed bond maturing January 30th, 1936, which was retired at maturity by a temporary loan from the Dominion Government.

Refunding of Callable Securities

The Annual Report for 1934 referred to certain outstanding securities of the Railway callable during 1935, which if refunded under present low rates of interest would effect a considerable annual saving. Provision for the refunding of such securities was included in the Canadian National Railways Refunding Act 1935. The following securities have been called on the dates and at the call price indicated:

- \$35,000,000 Canadian National 4½% 40-year Guaranteed Bonds issued December 1st, 1928, called for redemption June 1st, 1935, at 103%. Paid off out of the proceeds of \$48,400,000 Bonds, dated May 1st, 1935.
- 26,000,000 Canadian National 4½% 30-year Guaranteed Bonds issued September 15th, 1924, called for redemption September 15th, 1935, at 102%. Retired by temporary loan of \$26,520,000 from the Dominion Government.
- 23,740,000 Grand Trunk 7% 20-year Guaranteed Bonds issued October 1st, 1920, called for redemption October 1st, 1935 at 102¼%. Retired by funds on deposit and by temporary loan of \$24,083,500 from the Dominion Government.
- 23,779,000 Canadian Northern 7% 20-year Guaranteed Bonds issued December 1st, 1920, called for redemption December 1st, 1935 at 102¼%. Retired by funds on deposit and by temporary loan of \$24,123,475 from the Dominion Government.

New Issues

Under authority of Chapter 28, 1934 and Chapter 3, 1935, an issue of Canadian National Railway Company Guaranteed Bonds was made, dated May 1st, 1935, comprising:—

- \$13,400,000 three-year 2% bonds sold at 99.00 at a cost of 2.35%
- 35,000,000 nine-year 3% bonds sold at 97.75 at a cost of 3.29%

The proceeds of the issue were utilized, as previously referred to, to retire \$11,582,000 4½% Bonds which matured February 15th, 1935 and \$35,000,000 4½% Bonds called for redemption June 1st, 1935.

The refunding transactions undertaken during 1935 will effect a saving to the Railway of \$2,800,000 per annum.

CO-OPERATIVE MEASURES, PLANS AND ARRANGEMENTS BY C.N.R. AND C.P.R.

Although a large amount of investigational work has been energetically prosecuted and joint committees of the two companies have had under active study many co-operative projects of various kinds, the amount of preliminary detail has proved to be so great that no additional co-operative measures have been made effective. The research work done has indicated possibilities of further economies, more particularly in the matter of functionally duplicate line abandonments and joint facility arrangements, and efforts are now being concentrated along these lines.

Pooling of Passenger Train Operations

The question of further extending the area of Passenger Train Pooling has been under study during the past year by the Joint Technical Committee, and conclusion has been reached that the economy possible of attainment at this time is not sufficient to warrant the expenditure of capital required to make the principal passenger train terminals suitable for joint use and to offset the disruption in traffic which would necessarily be involved.

Joint Freight and Passenger Facilities

In addition to the co-operative undertakings already reported as having been made effective at Quebec, Gladstone, Man., Saint John, N.B., and Fredericton, N.B., an agreement has been reached for the joint use of the locomotive terminal facilities of the two companies at Ottawa and a number of other proposals are receiving consideration.

Okanagan Valley Services

It was proposed that the lake and rail services of both companies south of Armstrong and north of Penticton be pooled. After study by the Passenger Traffic Managers of the two companies, they reported against the pooling of rail services because passenger fares between competitive common points within the area are not equalized and cannot be equalized and further that in their opinion the reduced train service would not be acceptable to the people of the Valley. The situation is now under study by the Joint Technical Committee to see what joint economies may be possible in respect to water line services.

Abandonment of Functionally Duplicate Lines

Progress has been made, although as intimated in last year's report the joint examination of many projects which superficially appeared capable of yielding economies showed that the economies to be derived

were not commensurate with the expenditures necessary to bring them about, at least under present conditions of traffic. Over 500 miles of lines have been recommended for abandonment by the Joint Technical Committee and approved by the Joint Executive.

The lines which have been examined by the Joint Technical Committee, and in which the abandonment is not recommended, chiefly due to the lack of sufficient economy to warrant such action, are as follows:

Railway	Location	Province	Approx. Mileage
C.P.-C.N.	Lanoraie—Joliette—Paradis	Quebec	6-11
C.P.R.	Belair—Lachevrotiere	Quebec	18-53
C.N.R.	West Tower—Deer	Manitoba	24
C.N.R.	Rosburn Jct.—Orrville	Manitoba	9
C.N. or C.P.	Estevan—Bienfait	Saskatchewan	6
C.P.R.	Glen Tay—Shannonville	Ontario	69
C.N.R.	Ottawa—Pembroke	Ontario	89
C.N.-C.P.	Young—Colonsay	Saskatchewan	16
C.N.R.	Smiths Falls—Yarker	Ontario	51
Q.C.R.	Scott's Jct.—North to River	Quebec	35
C.N.R.	Federal—Smiths Falls	Ontario	34
C.P.R.	Ottawa West—Carleton Place	Ontario	24

Total Approximate Mileage 381-421

Many other lines, aggregating upwards of 1,700 miles, are still under study by the Joint Technical Committee.

The first step in considering a functionally duplicate line abandonment is the determination of the economics of the proposal. This requires the collection of a vast amount of detail information with regard to each of the lines in question. The physical characteristics must be determined showing all the details of the track structure, ancillary facilities, the gradients and curvature of the lines, and all other relevant factors, including cost of maintenance and operation. It is necessary, also, to have exact information with regard to the territory traversed, the extent to which industry is dependent upon the line to be abandoned, and the nature and extent of the traffic which is affected. It is necessary also to determine what additional works would be required to permit of joint use of the remaining line if such a course is indicated. All such information dealing with the technical aspect of the problem is compiled by joint committees of appropriate officers of the two companies, and is reviewed by the Joint Technical Committee.

There are two methods of accomplishing a functionally duplicate line abandonment. Under the first the Company whose line is abandoned uses as a substitute the remaining line jointly with its owner. The other method is for the Company whose line is abandoned to withdraw all services from the territory, which is then dependent upon the services of the other company on the remaining line. Each type of abandonment presents special problems in the equitable apportionment of burden and advantage but the Joint Technical Committee has established the underlying principles which have been approved by the Joint Executive.

After abandonment of the functionally duplicate line has been approved by the Joint Executive, an agreement is prepared in accordance with the appropriate general principles. This has required a great deal of study on account of the unprecedented nature of the problem presented.

Joint Switching—Yard and Industrial

In all, eleven points for study were referred to the Joint Technical Committee. At Portage la Prairie the arrangement is already in effect. In the Toronto Terminal area, i.e., Mimico-Swansea and North Toronto-Leaside, the joint arrangement has been approved and preparation of the necessary agreement is now in progress. At the other nine points the investigation made by the Joint Technical Committee shows that there is not under existing conditions any economy to be obtained by joint operations.

Haulage of Freight by one Company for the Other

As indicated in last year's report, arrangements have already been made effective for the hauling of freight by one company for the other from Edmonton and Calgary to Kamloops, and between Fredericton and Vanceboro, and for freight interchange at Lower Sherbrooke instead of Lennoxville. The situation as regards freight between Kamloops and Vancouver has already been under study but it appears that the economies which theoretically might be expected are not obtainable under present conditions. Consideration has also been given to a proposed abandonment of portions of one line or the other between the two terminals mentioned but the experience last winter when railway communications on the Coast were interrupted appears to make such a proceeding very inadvisable. Between Pembroke and North Bay, the situation has been examined by a committee of the Regional Operating Vice-Presidents. The Committee recommended against the proposal at this time.

City Ticket Offices

The possibilities of reducing the number of city ticket offices maintained by the two Companies have been carefully explored by the Passenger Traffic Officers and the Traffic Vice-Presidents. Each individual office location was examined, but, unfortunately, many and varied circumstances prevented the accomplishment of arrangements mutually satisfactory to the two lines at any common point. The question was approached from two angles—first, with the idea of both Companies closing uptown offices and conducting their business at their respective stations, or union station as the case might be, and failing this, the establishment of joint offices. Some of the circumstances which prevented action along these lines may be summarized as follows:

- (a) The service requirements of the public in large communities requiring maintenance of uptown offices.
- (b) Disinclination of one Company to close ticket offices because of disadvantageous station location at the point involved.
- (c) Property ownership or long-term lease commitments with lack of opportunity to dispose of property of this class, or insufficient space to accommodate representatives of the other line.
- (d) Complications on account of most uptown offices jointly housing passenger, telegraph, express and steamship activities.
- (e) Inexpediency of depriving one community of facilities that for good reasons had to be continued in other corresponding communities.
- (f) Insufficient economy possibilities in individual cases to warrant the consequent disadvantages of consolidation or removal to stations.

One or more of these circumstances were apparent in each uptown office situation and were of sufficient importance to either one Company or the other to prevent agreements involving economies from this source. An effort was made to match the disadvantages of one party at one point by some disadvantages to the other party at another point, in order to make progress, but even by this method mutually satisfactory arrangements producing appropriate savings were found impracticable.

In previous reports mention has been made of the Emergency Railroad Transportation Act of 1933 as affecting the United States lines of the System. The general purpose of the Emergency Railroad Transportation Act is similar to that of the Canadian National-Canadian Pacific Act. Notwithstanding the large organization which has been developed and the fact that the Federal Coördinator has urged the railways to carry on numerous investigations and has called for the furnishing of a great deal of data, no definite coördination measures have been achieved so far. This further evidences the difficulties inherent in bringing such measures into effect. The British railways met with similar difficulties.

GENERAL

Abandonment of Light Traffic Branch Lines

In furtherance of the policy of seeking in every direction for economies in the operation of the Railway, proposals have been examined to abandon the operation of a number of light traffic branch lines wherever this could be done without serious injury to the communities served. Leave to abandon operation must first be secured from the Board of Railway Commissioners. Applications in twenty-five cases have been submitted to the Board. To the end of the year twelve of the applications had been granted, seven had been denied, and six had not been decided:

From	To	Province	Mileage
APPLICATIONS GRANTED			
Iberville	St. Hyacinthe	Quebec	28.1
Noyan Jct.	Iberville	Quebec	21.9
Tweed	Bannockburn	Ontario	19.5
Trenton	Brighton	Ontario	9.9
Ronnac	Greenburn	Ontario	41.8
Brant Co. Siding	Paris Jct.	Ontario	6.0
Hickson	Tavistock Jct.	Ontario	6.5
Burgessville	Woodstock	Ontario	9.2
Simcoe Jct.	Otterville	Ontario	14.2
Jarvis	Port Dover	Ontario	9.0
Foothills	Lovett	Alberta	4.6
Patricia Bay Jct.	Patricia Bay	British Columbia	15.82
Number of applications granted—12			Total Mileage
			186.52

From	To	Province	Mileage
APPLICATIONS DENIED			
Elgin	Havelock	New Brunswick	26.1
Hampton	St. Martins	New Brunswick	28.75
Victoriaville	St. Gregoire	Quebec	30.4
St. Hyacinthe	Bellevue Jct.	Quebec	31.3
Farnham	Frelighsburg	Quebec	18.4
Port Hope	Peterboro	Ontario	28.0
Golden Lake	National Jct.	Outario	20.2
Number of applications denied—7		Total Mileage	183.15
APPLICATIONS NOT DECIDED TO DECEMBER 31st, 1935			
St. Leonard Jct.	Nicolet	Quebec	14.7
St. Remi	Hemmingford	Quebec	14.9
Hawkesbury	Hurdman	Ontario	61.2
Whitby	Cresswell	Ontario	30.0
Two Rivers	Ravensworth	Ontario	37.5
Peace River Jct.	Darson Jct.	Alberta	32.6
Number of applications not decided—6		Total Mileage	190.9
Total number of applications made—25		Grand Total	560.57

Unemployment Relief Expenditures

Under authority of Section 9 of The Supplementary Public Works Construction Act 1935, the Minister of Finance entered into contracts with certain car and locomotive builders for the construction of locomotives and cars for use of the Canadian National and Canadian Pacific Railway Companies, and arrangements have been made for the leasing of the equipment to the two Companies by way of a hire-purchase agreement under which the capital cost of such equipment will be repaid to the Government by way of rental payments in thirteen equal annual instalments, the first instalment to become due two years from the delivery of the equipment with interest at 4% payable annually on the amount of any outstanding instalments beginning at the end of the two-year period.

The equipment to be acquired by Canadian National Railways comprises:

400 Automobile cars	450 Refrigerator cars
80 Sand cars	250 Gondola cars
8 Snow Plows	15 Locomotives

of which the estimated cost is \$6,791,155.

Pursuant further to the statutory authority referred to, the Canadian National Railways agreed with the Government to provide increased employment for its shop forces engaged in the work of betterment or repair of equipment in its shops at Moncton, N.B.; Riviere du Loup, St. Malo, and Point St. Charles, Que.; London and Stratford, Ont.; Transcona and Fort Rouge, Man.; Edmonton, Alta.; and Port Mann, B.C., from the 1st of July 1935 to the extent of an average of two additional working days for each shop per month for at least six months on condition that the cost of providing such additional employment be advanced by the Government by way of loan without interest not exceeding \$1,200,000. The Railway has further agreed for the reason that the repair work has been undertaken in advance of actual requirements to absorb the repair costs in its operating expenses in three equal instalments during 1936-7-8 and that the total of the loan be repaid in six semi-annual instalments of \$200,000 each during the three years referred to. To the end of the year the Government has advanced \$604,203.77, representing the cost to the Railway during the first four months of the arrangement.

Wages and Labour

In accordance with the arrangement referred to in the report for 1934 the 15% payroll deduction which was in effect generally for all classes of employees during the year 1934 was on January 1st reduced to 12% and on May 1st to 10%. On our United States lines under an arrangement effected with all railways basic rates of pay were restored on April 1st, 1935. It is estimated that the restorations towards basic rates of pay in Canada and of basic rates in United States added \$4,890,807 to the payroll during 1935.

In December representatives of organized labour on Canadian railways made an application for further restoration towards basic rates when it was stated on behalf of the railways that conditions did not then warrant any further reversion towards basic rates which statement, complete returns for the year not then being available, was accepted for the time being.

The average number of employees in service during the year 1935 was 75,053, as compared with 74,774 in the previous year. The average number in service in 1934 had shown an increase over 1933 of 4,149. The year 1933 recorded the lowest level of employment as a result of the present depression, the total being 70,625.

In November 1934, a Board of Conciliation had been established by the Minister of Labour to deal with a complaint of certain waterfront freight handling employees at Port Arthur concerning rates of pay and working conditions. The recommendations of the Board, issued on April 27th, 1935, were not accepted in their entirety by the Railway but an agreement was subsequently completed.

A Board of Conciliation was also established in July to deal with two disputes with our Commercial Telegraphers relating to the inclusion in the wage agreement of certain Testing and Regulating Staff known as "Repeater Attendants," and the procedure for establishing commission offices where earnings are not sufficient to retain salaried employees. The recommendations of the Board, dated September 30th, were not accepted by the Railway but the disputes were later amicably adjusted.

Relations during the year with our different classes of employees were maintained as in the past on very friendly terms.

Pension Plans

The revised Canadian National Pension Plan, which went into effect January 1st, 1935, is now well established. The number of contributing members at the end of the year was 18,714. In considering this number in relation to the total number of employees, due allowance must be made for the number engaged on lines in the United States who are excluded from the Canadian National Pension Plan because they are subject to Federal pension legislation; also for those who are members of the Intercolonial and Prince Edward Island Railways Employees' Provident Fund and the Grand Trunk Railway of Canada Superannuation Fund; also for those whose length of service does not entitle them to contribute; and for those who for one reason or another have decided not to add to their service or basic pension provided at the sole expense of the Company. Allowance should also be made for the wage deductions which are still in effect and the short hours worked in various branches of the service. Generally it may be stated that the support given by the employees to the new contributory plan is gratifying to the management. The gross amount of member contributions during the year was \$1,172,137. Employees' funds and the accrued interest thereon are held by the Company in a separate trust account and invested in obligations of the Dominion or obligations guaranteed by the Dominion.

Apart from a comparatively few excepted positions, retirement under the Canadian National Pension Plan is compulsory at age 65. Regulations have also been adopted to the end that as far as possible retirement at age 65 will shortly be the universal rule throughout the System in Canada whether the employees are embraced within this pension plan or not.

During the year 787 employees were retired on pension. Pensioners deceased numbered 227. The number on pension at December 31st, 1935, was 3,960 and the total pensions paid during the year amounted to \$2,179,054.

Under the Intercolonial and Prince Edward Island Railways Employees' Provident Fund rules, 152 members were retired on pension during the year. Pensioners deceased numbered 95. The number on pension at December 31st, 1935, was 1,765 and the total pensions paid during the year amounted to \$1,481,002.

During the year a great deal of consideration has been given to the position of the Grand Trunk Railway of Canada Superannuation Fund. This is a contributory fund now embracing 143 retired members and 170 members still in service, all of whom have upwards of thirty years service. Continuance of this fund was provided for in the agreement of March 8th, 1920, between His Majesty and the Grand Trunk Railway Company of Canada for the acquisition of the capital stock of the said company, confirmed by Chapter 13 of the Statutes of 1920. The Association is having some difficulty in securing funds necessary to meet retiring allowances, arising from the frozen position of the investments in which the assets of the Association are represented. In the opinion of the Trustees, the circumstances are such as to warrant the Railway assisting the Association and an item of \$100,000 has been included for this purpose in the 1936 Budget covering the financial requirements of the Railway.

United States Railroad Retirement Acts

The Railroad Employees' Pension Act, the effective date of which was August 1st, 1934, was declared by the courts to be unconstitutional. Further statutes were passed during 1935 to take effect as from March 1st, 1936. One measure, known as the Railroad Retirement Act of 1935, provides pensions for railway workers at age 65 or after the completion of thirty years service. They would receive pensions up to \$120 per month based on previous earnings. Another measure, known as "an Act to levy an excise tax upon

carriers and an income tax upon their employees" is designed to secure the funds from which the pensions will be paid. Railroads are directed to pay 3½% on wages paid and employees 3½% on wages received, both levies restricted to compensation not in excess of \$300 per month. The major railroads of the United States have filed suit attacking the constitutionality of the measures referred to. For the time being the Canadian National Railways in conformity with the practice of the larger American Railroads will continue the payment of pensions to employees who were pensioned prior to the enactment of the legislative measures referred to and will make temporary gratuitous allowances to those employees retired subsequently and who would have been entitled to pensions under the old Canadian National Pension Plan.

The pension measures above referred to relate more particularly to transportation companies. Canadian National Railway System will also be affected by Title VIII of the Social Security Act insofar as it provides for old age benefits to employees of non-transportation companies, such as are some of our subsidiary companies in the United States. The taxes, however, in this respect apply only to wages paid after December 31st, 1936.

Unemployment Insurance in United States

As from January 1st, 1936, employers of labour in the United States become obligated to pay an unemployment insurance tax. The United States Social Security Act requires payment by the employer of a tax of 1% of all wages paid by him during 1936 and the tax increases to 2% for 1937 and to 3% in the succeeding years. Provision is made that the employer may take as a credit against the tax payable to the Federal Government the amount which he may be required to pay to a State for unemployment compensation, such credit, however, not to exceed 90% of the tax payable to the Federal Government. The estimated cost to the Canadian National Railways in 1936 of compliance with this statute is \$200,000.

The Federal Government does not levy any unemployment tax on the employees nor does the Federal Government propose to pay unemployment compensation, which will be a function of the several States. The purpose of the Federal legislation is to promote and encourage the passage of reasonably uniform unemployment compensation laws in the various States. Some of the States in which the Canadian National Railways operates have already passed unemployment compensation laws. The situation is far from clear but generally it appears the employer will be taxed by the States on substantially the same basis as by the Federal Government. In some States the employee also will be taxed at the rate of approximately half the rate for the employer. Regulations covering the payment of unemployment benefits have not yet been promulgated.

Retirement of Equipment

In the report for last year it was stated that the Trustees had under review the advisability of authorizing an exceptional program of equipment retirements. The matter was also brought up before the Parliamentary Standing Committee and copies of a full report on the subject by the President were furnished to the Committee. The Trustees subsequently decided that the program recommended by the President should be carried out and the necessary adjustments made in the 1935 accounts. Authority was given for the retirement of 16,912 units of obsolete equipment, involving a charge against Profit and Loss estimated at \$23,238,857. It was not possible economically to complete the work of demolition before the end of 1935 and about one-third of the program has been carried forward and will be completed during 1936. The accounting for the complete program, however, appears in the 1935 statement.

As a matter of general information, a brief reference should be made to the practice of the Company in the matter of accounting for the retirement of equipment. The retirements above referred to are of quite an unusual nature, requiring exceptional treatment in the accounts. Insofar as normal retirements are concerned, the practice on the Canadian Lines of Canadian National Railways is to reduce the Investment Account by the ledger value of the equipment retired and to charge the loss (ledger value less salvage) to operating expenses. Both the credit to Investment Account and the charge to operating expenses are included under their appropriate headings in the Budget certificates covering the cash requirements of the Railway. This retirement accounting practice is an alternative to depreciation accounting and is in accordance with the presently effective accounting classifications prescribed for steam railroads in Canada. Notwithstanding the depression, the annual normal retirement program has been stepped up until it has reached an amount of considerable size, as under:

1932.....	\$1,015,449
1933.....	4,511,459
1934.....	4,999,885
1935.....	5,500,000
1936.....	6,000,000 (Budget estimate for 1936)

On our lines in the United States, the loss resulting from the retirement of rolling stock equipment is amortized over the estimated life of the equipment by depreciation accruals includible in operating expenses in accordance with the accounting classifications of the Interstate Commerce Commission.

Hotels

The improvement in net income from hotel operations as referred to last year has been extended during the year 1935.

	1935	1934	Increase
Operating Revenues	\$2,389,894	\$2,126,958	\$262,936
Operating Expenses and Taxes	2,288,124	2,089,941	198,183
Net Income	\$101,770	\$37,017	\$64,753

\$184,000 was charged to operating expenses for maintaining the buildings, furnishings and equipment, being \$36,000 more than was charged for this purpose in 1934. A restoration of 5% towards basic rates of pay for hotel employees added a further \$28,000 to the operating expenses. It may be said, therefore, that the employees, the property and the Company all participated in the improvement resulting from the increased patronage given to Canadian National hotels during 1935.

Encouraged by improving business conditions, it was decided to complete and furnish the Bessborough Hotel at Saskatoon, the official opening taking place on December 10th. The total expenditure to the end of the year was \$3,531,540, of which \$3,075,000 had been expended prior to 1934. The success of the hotel will depend largely on the support given by the people of Saskatchewan. A number of conventions have already been definitely booked for 1936.

Central Vermont Transportation Company

The Central Vermont Transportation Company was a subsidiary of the Central Vermont Railway, Inc. It operates two boats, the "New York" and the "New London" on Long Island Sound between New London, Conn. and Pier 29, North River, New York City.

Suits were brought against the Transportation Company to prohibit its operation for violation of Section 27 of the United States Merchant Marine Act. This section prohibits the transportation from one American port to another American port, of merchandise in vessels other than those built in and documented under the laws of the United States and owned by persons who are citizens of the United States. A corporation operating vessels in the coastwise trade is not deemed to be a citizen of the United States unless 75% of the controlling interest therein is owned by citizens of the United States. In the case of the Transportation Company, all the shares, except directors qualifying shares, were owned by Central Vermont Railway, Inc., the stock of which railway, except directors qualifying shares, being in turn held by Canadian National Railway Company. On January 7th, 1935, the United States Supreme Court decided against the contentions of the Transportation Company. As a result of this decision it was decided to sell 75% of the stock of the Transportation Company to the New London Northern Railroad Company. The sale price of 1,500 shares was \$60,000, leaving the Central Vermont Railway with 500 shares and a 25% ownership. Concurrently with the sale of stock, a traffic agreement was entered into between the Central Vermont Railway, Inc., and the Central Vermont Transportation Company for the interchange of their traffic at New London.

Prince Boats

General business conditions have not recovered to an extent sufficient to ensure the profitable operation of these vessels either over a regular route or in special cruises and it is considered prudent to keep the vessels tied up rather than engage in operations which may be expected to result in further loss. The Prince Henry remains laid up at Halifax and the Prince David at Bermuda.

During 1935 the Prince Robert was operated in four special cruises from Vancouver to Alaska via Sitka and the Taku Glacier and, during layover periods at Vancouver, made nine short excursions. The revenue was sufficient to leave a small operating profit after paying expenses and the cost of reconditioning the vessel. The Railway has benefitted by the rail tourist travel incidental to the sailings and it is proposed to carry out a similar program in the 1936 season.

Some negotiations have been had looking to the sale of the vessels but it will be appreciated that as these vessels were specially designed for service on the Pacific Coast prospective purchasers are difficult to find. It is the policy of the Trustees to dispose of these vessels by sale if reasonable terms can be secured.

Canadian Northern Coal & Ore Dock Company

The bonds of The Canadian Northern Coal & Ore Dock Company, \$1,750,000, matured January 1st, 1936. \$185,000 of these were outstanding in the hands of the public and funds to retire same were drawn down under the 1935 Budget. \$1,190,000 had previously been acquired by the sinking fund created under the terms of the indenture securing the bond issue. The remainder, \$375,000, were owned by The Canadian Northern Railway Company and pledged by that Company with the trustees of Canadian Northern 4% Perpetual Consolidated Debenture Stock. Funds to retire the latter item were provided from Working Capital.

Concurrently with the redemption of the bonds it was decided to retire from the Investment Account the ledger value of the coal handling facilities of the Dock Company at Port Arthur. The ledger value was \$1,627,000. Of this, \$1,252,000 was charged to Sinking Fund Reserves previously created by appropriations of income, and the balance, \$375,000, remains as the estimated value of the site, etc.

Department of Colonization and Agriculture

There is still a vast amount of fertile land adjacent to Canadian National lines, unoccupied and undeveloped, contributing nothing toward the maintenance of railway services. It is becoming increasingly evident that the settlement of this land with producing farmers is of vital importance to the Railway in the production of new traffic. Through the Department of Colonization and Agriculture, the Company has continued actively to employ its facilities for the settlement and development of these areas, which the lines of the Railway were built to serve.

Within the year, 2,863 families, 3,223 heads of families and 2,637 single men, preparing new homes, were settled on 807,797 acres of land. This movement covers the settlement of families having agricultural experience with capital of their own, families settled under the relief settlement schemes financed by the Federal and Provincial Governments, and a limited number of immigrant families from the United States and Overseas, with sufficient capital and farming experience. In addition to the foregoing settlement, a total of 5,734 single men were sent out to assured employment in farming and lumbering operations.

The agricultural section of this Department has continued to concentrate on movements in agriculture most likely to increase freight traffic. This service is concerned with, and has contributed to the effectiveness of, farmers' organizations wherever possible, also livestock shippers, grain firms, and the Federal and Provincial Departments of Agriculture. While the Department endeavours to increase the immediate traffic of farm produce and farmers' requirements, its general policy is directed more toward the future, with a view to promoting greater permanence of agricultural traffic for the railway.

Industrial and Natural Resources Department

During the year 318 new industries or extensions to existing plants were established along the lines of the Canadian National, on which were expended over \$10,000,000, and employment made for an additional five thousand persons.

Medical Service

Rail carriers in general make careful provision for the periodic examination of their employees to ascertain their physical fitness for service. On Canadian National lines during 1935 the number of examinations of men engaged in the movement of trains, dining and sleeping car employees, steamship crews and others was 9,350. In addition, 9,207 employees engaged in the movement of trains were examined as to vision, colour sense, and hearing.

Medical service is also afforded to employees injured in service. Early attention to slight injuries reduces the risk of infection or other complications and greatly reduces the amount of working time lost.

On the sanitary side, both the travelling public and employees have been protected from any danger of impure water in the Company's trains, stations, shops, etc. Careful supervision is given to all supplies of milk, cream and such like commodities as are used in the Company's dining cars, hotels, and on board ship. For the year 1935 the number of laboratory examinations was 3,453.

Other preventive activities of the medical service involve the investigation and mitigation of occupational diseases among the Company's employees.

Land Matters

Since the beginning of the depression sales of farm lands have been few and cancellations of contracts relatively numerous. The year 1935 showed some slight improvement in that we had more sales, fewer cancellations, and increased collections and with higher prices for farm products it is expected the improvement will continue.

The Company has co-operated with purchasers of farm lands to enable them to carry on under the difficult conditions which have existed in recent years. The assistance rendered was helpful both to the farmers and to the Company as the latter secured the rail haul on farm crops which would otherwise not have been produced.

Improved conditions in the pulp and paper industry are expected to result in increased timber cutting operations on the Company's lands and it is expected that the Railway will secure additional traffic from these operations.

Recent years have seen very few sales of town lots in townsites located along the Railway. Every effort is being made to dispose of town lots still available.

The Company is the owner of a considerable amount of property which is not required for operating purposes. Prior to the depression a substantial revenue was secured from leases but in the more recent years revenues have declined and the carrying charges as represented by taxes, drainage, fencing and weed cutting costs have increased. Steps are being taken to catalogue all such properties in furtherance of the policy of converting the disposable assets into cash and reducing the carrying charges wherever possible.

The death of the Honourable E. C. Smith is recorded with regret. Over a long period of years he held a number of high positions, including that of Governor of the State of Vermont, also of President of the Central Vermont Railway Company and latterly Director of the Central Vermont Railway, Inc.

This report would be incomplete without some reference to the general situation. The total trade of Canada is expanding. The products of the primary industries are commanding higher prices and manufacturing output is increasing. The Canadian National Railways has participated in the general improvement, and will continue to go forward relatively as general business conditions improve.

The Railway is being operated economically and efficiently. The Trustees and the Management have pursued a policy of rigid economy and of careful administration to the end that operating expenditures may be held at a minimum consistent with safety and a satisfactory standard of service. Some further economy from co-operative measures may be expected but co-operative economy is a most difficult process when maintenance expenditures and train and car mileage have been so drastically reduced. It is becoming increasingly certain that any substantial improvement in net earnings can be secured in no other way than by increased volume of traffic and, in the opinion of the Trustees, it is in the public interest that the way out of the present difficulties be found in an expansion of earnings rather than by way of a further curtailment of railway expenditures. The latter process is a negative one.

Highway competition increases. The railways recognize motor vehicles have become an established alternative transportation system as regards certain classes of traffic but urge there should be a more equal regulation of the conditions under which the two forms of transportation are permitted to compete. During the year a Committee of the Railway Association of Canada was formed for the purpose of studying the existing highway transport legislations in the various countries of the world as to methods of regulation and control and co-ordination of road and rail transport. It is the duty of this Committee to deal with the legislative authorities of the different Provinces in an effort to obtain uniform highway legislation equitable to the public, the Provinces and to highway and railway transport. This Committee will also keep the railway officers advised as to what is transpiring in the different countries of the world on highway transport legislation.

The Trustees consider there is no economic justification for any wholesale replacement of equipment nor are there financial resources available for any such program. It will, however, be necessary to air-condition the principal main line passenger trains and something will be done in this direction during 1936. Wherever economy to the railway can be secured without undue hardship to the community, applications will continue to be made for leave to discontinue operation of unimportant branch lines or lines which functionally duplicate the lines of the Canadian Pacific Railway.

If all the facts are taken into consideration and allowance made for the burden of debt inherited from predecessor companies, the extent to which the Railway has been developed as an agency of Government to open up sections of the country for settlement, the extent to which the Railway aids the primary producers in transporting their products at rates sufficiently low to enable them to compete in the markets of the world, and also for the effect of the present business depression, there will be found justification for the contention that the real efficiency of the Railway is obscured by a combination of unfavorable factors for which the management and employees have no responsibility.

The effect of the depression on the Canadian National Railways will be seen from the following comparative figures:

	Average of 5 years 1926-1930	Average of 5 years 1931-1935
Operating Revenues.....	\$285,139,000	\$169,643,000
Net Revenue after payment of Operating Expenses.....	42,644,000	8,003,000
Income Deficit after payment of Interest on Funded Debt.....	9,542,000	56,075,000

These figures clearly indicate the damaging effect which the contraction in business has had on the financial results of the Railway. On the expenditure side during the same periods disbursements were reduced proportionately to the reduced volume of business notwithstanding the difficulty of doing so. Traffic measured by ton miles declined 34.3%, operating expenses declined 33.3% and the total payroll declined 34.3%. Average annual capital expenditures were reduced from \$55,486,000 to \$7,142,000.

Plainly the vital need of the Railway is a return to something like average traffic volume. There is no doubt whatever that the lessons learned as a result of the depression have been such that a substantial improvement in net income will be obtained from a given amount of gross revenue provided freight and passenger rates, rates of pay and prices of material remain substantially at their previous levels. The indications for additional business are favourable and the Budget of the Railway for 1936 anticipates an increase of \$17 millions in gross revenue over 1935. The interest charges due to the public will be reduced in 1936 to \$49,715,000 largely as the result of refunding operations and it may be noted this is a reduction of \$7,250,000 from the peak reached in 1932. The situation confronting the Canadian National Railways is improving but the dominant need continues to be one of rigid economy and careful administration.

The Trustees again take the opportunity to acknowledge the loyal and efficient service rendered by the officers and employees, and to express their appreciation of the support given to Canadian National Railways by the public during the year 1935.



Chairman of the Trustees.



Trustee.



Trustee.

CONSOLIDATED BALANCE SHEET

ASSETS		
INVESTMENTS:		
Investment in Road and Equipment.....	\$2,094,178,080.98	
Improvements on Leased Railway Property.....	3,879,078.18	
Sinking Funds:		
System Securities at par.....	\$6,814,920.90	
Other Assets at Cost.....	5,106,746.07	11,921,666.97
Deposits in lieu of Mortgaged Property Sold:		
System Securities at par.....	\$ 736,000.00	
Other Assets at Cost.....	4,488,995.66	5,224,995.66
Miscellaneous Physical Property.....	60,227,654.28	
Investments in Affiliated Companies.....	31,584,107.59	
Other Investments.....	778,157.52	\$2,207,793,741.18
CURRENT ASSETS:		
Cash.....	6,032,383.86	
Special Deposits.....	18,224,180.51	
Traffic and Car-Service Balances Receivable.....	990,761.66	
Net Balances Receivable from Agents and Conductors.....	4,014,322.48	
Miscellaneous Accounts Receivable.....	\$ 4,559,027.17	
Dominion Government—Balance due on Deficit Contributions.....	12,214,530.64	16,773,557.81
Material and Supplies.....	27,392,171.39	
Interest and Dividends Receivable.....	579,065.78	
Rents Receivable.....	51,141.13	
Other Current Assets.....	729,468.62	74,787,953.24
DEFERRED ASSETS:		
Working Fund Advances.....	197,612.70	
C.N.R. Insurance Fund:		
System Securities at par.....	\$4,241,877.75	
Other Assets at Cost.....	7,367,889.28	11,609,767.03
Other Funds.....	18,006.25	
Other Deferred Assets.....	7,011,833.78	18,837,219.76
UNADJUSTED DEBITS:		
Rents and Insurance Premiums paid in Advance.....	216,051.86	
Discount on Capital Stock.....	189,500.00	
Discount on Funded Debt.....	16,486,775.51	
Other Unadjusted Debits.....	6,838,594.69	23,730,922.06
		<u>\$2,325,149,836.24</u>

The accounts of the System are stated in Canadian currency—Sterling and United States currencies being converted at the par of exchange.

Depreciation Accounting is applied to rolling stock owned by United States Lines and to certain fixed property, and Retirement Accounting is applied on the basis of original cost to other units of property on the System.

No reserve is accrued for pension purposes. Actual pension payments are charged currently to operating expenses account "Pensions."

For contingent liabilities see Page 30.

AT DECEMBER 31, 1935.

LIABILITIES		
STOCKS:		
Capital Stocks owned by Dominion Government.....	\$265,628,338.70	
Capital Stocks owned by Public.....	4,584,225.00	\$270,212,563.70
GOVERNMENTAL GRANTS:		
Grants in Aid of Construction:		
By Province of Canada prior to Confederation.....	15,142,633.33	
Other.....	2,570,904.78	17,713,538.11
LONG TERM DEBT:		
Funded Debt Unmatured.....		1,154,779,000.78
LOANS FROM DOMINION OF CANADA:		
Temporary Loans obtained for redemption of funded debt, pending refunding—interest paid.....	74,726,975.00	
Other Loans from Dominion of Canada.....	\$679,873,935.08	
Interest on above accrued but unpaid.....	495,030,137.29	1,249,631,047.37
DOMINION OF CANADA EXPENDITURES FOR CANADIAN GOVERNMENT RAILWAYS:		
Road and Equipment included in System Investment Acct.....	388,290,294.40	
Working Capital.....	16,771,980.54	405,062,274.94
CURRENT LIABILITIES:		
Loans and Bills Payable.....	356,408.44	
Traffic and Car-Service Balances Payable.....	3,473,222.92	
Audited Accounts and Wages Payable.....	6,871,490.57	
Miscellaneous Accounts Payable.....	3,692,832.23	
Interest Matured Unpaid.....	8,582,740.04	
Funded Debt Matured Unpaid.....	11,502,745.49	
Unmatured Interest Accrued.....	9,390,843.18	
Unmatured Rents Accrued.....	398,481.87	
Other Current Liabilities.....	1,061,437.22	45,330,201.96
DEFERRED LIABILITIES:		
Other Deferred Liabilities.....		3,423,088.12
UNADJUSTED CREDITS:		
Tax Liability.....	1,351,952.98	
C.N.R. Insurance Reserve.....	11,609,767.03	
Accrued Depreciation—Road..... U.S. Lines	2,491,586.60	
Accrued Depreciation—Equipment..... U.S. Lines	13,011,625.77	
Accrued Depreciation—Miscellaneous Physical Property..... U.S. Lines	1,510,010.34	
Other Unadjusted Credits.....	2,891,542.23	32,926,484.95
CORPORATE SURPLUS or Deficit:		
Additions to Property through Income and Surplus..... U.S. Lines	683,581.03	
Funded Debt Retired through Income and Surplus..... U.S. Lines	587,465.33	
Appropriated Surplus.....	1,075,077.15	
Profit and Loss Balance—Deficit.....	856,274,487.20	853,928,363.69
		<u>\$2,325,149,836.24</u>

J. B. McLAREN,
Comptroller.

CERTIFICATE OF AUDITORS

We have made a continuous audit of the accounts of the National Railways for the year ended 31st December, 1935, including a general but not detailed examination of the accounts at all the regional centres and of the audit conducted by the Railway's internal audit staff.

The accounts of the Railway are kept in accordance with the rules and regulations prescribed for steam railroads in Canada and those of the Interstate Commerce Commission for lines in the United States.

The investments in road and equipment, miscellaneous physical property and in affiliated companies are shown at their book values which do not necessarily represent their present replacement values.

No reserve is provided for depreciation (except on the rolling stock and certain property of United States lines). When equipment is retired from service the ledger value less salvage is charged to operating expenses or to Profit and Loss account. Actual pension payments made are charged to operating expenses but no provision is made for pensions payable in future periods.

Subject to the foregoing and our Report to Parliament, we report that in our opinion the above Consolidated Balance Sheet and related accounts set forth properly the financial position of the National Railways at 31st December, 1935, and the Revenue and Expenditure for the year ending that date, and are in accordance with the books.

CLARKSON, GORDON, DILWORTH & NASH,
Chartered Accountants.

Dated at Montreal 5th March, 1936.

PROFIT AND LOSS STATEMENT

	Year 1935	Year 1934
CREDITS:		
Credits from retired Road and Equipment.....	\$ 24,631.40	\$ 13,368.67
Unrefundable Overcharges.....	3,301.90	2,350.06
Donations.....	30,328.73	23,680.71
Miscellaneous Credits.....	583,533.19	2,050,598.52
Total Credits.....	\$641,795.22	\$2,089,997.96
DEBITS:		
Surplus appropriated for Investment in Physical Property.....	\$ 2,064.34	\$ 552.23
Debt Discount extinguished through Surplus.....	22,579.91	19,478.18
Miscellaneous appropriations of Surplus.....	27,681.07	142,064.28
Debits for retired Road and Equipment.....	29,111,717.21	1,290,194.67
Delayed Income Debits.....	48,295.61	1,824,458.29
Miscellaneous Debits.....	1,938,650.64	2,875,306.11
Total Debits.....	\$31,095,626.64	\$6,152,053.76
Net Profit and Loss Items <i>Debit</i>	\$30,453,831.42	\$4,062,055.80
Net Income <i>Deficit</i> transferred.....	48,878,181.67	49,605,719.13
Interest on Dominion Government Loans.....	35,949,676.70	35,994,577.93
System Net <i>Loss</i>	\$115,281,689.79	\$89,662,352.86
Deduct: Contributions for deficits from the Government		
	1935	1934
C.N. Railways.....	\$41,795,757.24	\$42,589,824.96
Eastern Lines.....	5,265,373.20	5,434,133.74
P.E.I. Car Ferry & Terminals.....	360,334.36	383,942.00
Eastern Lines' interest on Government Loans.....	626,413.21	626,413.21
Change during year in Profit and Loss Account.....	\$ 67,233,811.78	\$ 40,628,038.95
Balance at January 1st.....	789,040,675.42	748,412,636.47
Balance at December 31st.....	\$856,274,487.20	\$789,040,675.42

J. B. McLAREN,
Comptroller.

**CONSOLIDATED SYSTEM
INCOME STATEMENT**

	Year 1935	Year 1934
Railway Operating Revenues.....	\$173,184,501.82	\$164,902,501.66
Railway Operating Expenses.....	158,926,248.66	151,936,078.56
Net Revenue from Railway Operations.....	\$ 14,258,253.16	\$ 12,966,423.10
Railway Tax Accruals.....	\$5,209,133.04	\$5,241,857.95
Uncollectible Railway Revenues.....	94,037.61	46,813.24
Railway Operating Income.....	\$8,955,082.51	\$7,677,751.91
Rent from Locomotives.....	\$106,062.42	\$109,526.93
Rent from Passenger-Train Cars.....	220,595.99	223,472.39
Rent from Floating Equipment.....	4,557.50	265.23
Rent from Work Equipment.....	116,961.19	119,555.19
Joint Facility Rent Income.....	1,547,892.43	1,557,407.29
Hire of Freight Cars—Debit Balance.....	1,019,933.12	904,639.51
Rent for Locomotives.....	29,290.60	30,334.57
Rent for Passenger-Train Cars.....	199,272.16	187,119.42
Rent for Floating Equipment.....	1,283.49	1,288.69
Rent for Work Equipment.....	7,834.31	8,098.35
Joint Facility Rents—Debit.....	2,269,417.11	2,231,818.15
Net Railway Operating Income.....	\$7,424,121.25	\$6,324,680.25
Revenue from Hotel Operations.....	\$2,389,891.82	\$2,126,958.70
Expenses of Hotel Operations.....	2,163,040.77	1,948,303.09
Taxes on Hotel Property.....	125,083.29	141,638.54
Net Hotel Operating Income.....	\$101,770.76	\$37,017.07
Income from Lease of Road.....	\$51,474.25	\$53,033.09
Miscellaneous Rent Income.....	1,027,910.24	1,094,630.79
Miscellaneous Non-Transportation Property—Credit.....	42,091.36	40,841.99
Dividend Income.....	549,703.80	699,202.22
Income from Funded Securities.....	1,422,568.02	1,414,147.74
Income from Unfunded Securities and Accounts.....	75,110.51	189,613.93
Income from Sinking and Other Reserve Funds.....	538,997.38	1,062,918.88
Contributions from Others.....	100,000.00	100,000.00
Miscellaneous Income.....	222,447.16	631,033.42
Miscellaneous Rents—Debit.....	508,201.79	542,300.16
Miscellaneous Tax Accruals.....	144,407.08	161,569.97
Separately Operated Properties—Loss.....	1,373,060.49	964,186.73
Miscellaneous Income Charges.....	1,328,253.44	1,277,519.73
Miscellaneous appropriations of Income.....	87,636.11	84,781.81
Income Available for Fixed Charges.....	\$8,014,635.82	\$8,616,760.98
Rent for Leased Roads.....	\$1,372,712.38	\$1,372,037.53
Interest due Public on Long Term Debt.....	53,468,792.22	55,811,745.85
Interest on Unfunded Debt.....	182,125.15	211,058.21
Interest on Government Loans for refunding.....	783,671.47	.....
Amortization of Discount on Funded Debt.....	1,085,516.27	827,638.52
Total Fixed Charges.....	\$56,892,817.49	\$58,222,480.11
Net Income <i>Deficit</i> , before Interest on Dominion Government Loans, transferred to Profit and Loss.....	\$48,878,181.67	\$49,605,719.13

OPERATING REVENUES

	Year 1935	Year 1934
Freight.....	\$132,086,587.75	\$124,340,036.22
Freight—Government contribution Maritime Freight Rates Act 1927.....	1,658,183.90	1,778,239.21
Passenger.....	16,644,699.86	16,331,228.94
Excess Baggage.....	76,295.07	77,455.86
Sleeping Car.....	957,319.97	949,143.06
Parlor and Chair Car.....	138,805.31	146,969.12
Mail.....	3,260,987.96	3,224,156.55
Express.....	8,637,700.57	8,490,214.35
Other Passenger Train.....	50,143.89	49,000.02
Milk.....	459,745.36	456,957.03
Switching.....	2,060,652.72	1,998,780.76
Special Service Train.....	70,680.56	60,165.47
Other Freight Train.....	1,223.15	978.18
Water Transfers—Freight.....	47,809.46	39,515.02
Water Transfers—Passenger.....	22,033.48	18,002.78
Water Transfers—Vehicles and Live Stock.....	21,924.90	24,762.75
Water Transfers—Other.....	2,286.00	1,883.79
Dining and Buffet.....	677,718.83	650,415.61
Restaurants.....	10,672.60	9,898.40
Station, Train and Boat Privileges.....	83,997.90	87,958.74
Parcel Room.....	31,523.78	33,086.69
Storage—Freight.....	112,460.03	124,454.27
Storage—Baggage.....	12,151.73	12,267.68
Demurrage.....	263,201.88	252,140.17
Telegraph and Telephone.....	4,009,997.98	4,088,297.48
Grain Elevator.....	198,659.92	91,266.09
Rents of Buildings and Other Property.....	290,617.77	291,870.06
Miscellaneous.....	997,774.23	968,168.85
Joint Facility—Credit.....	353,572.15	356,444.03
Joint Facility—Debit.....	54,026.80	51,255.52
Total.....	<u>\$173,184,501.82</u>	<u>\$164,902,501.66</u>

SUMMARY OF OPERATING EXPENSES

Maintenance of Way and Structures.....	\$34,420,886.01	\$33,544,106.65
Maintenance of Equipment.....	34,393,564.60	32,574,793.18
Traffic.....	4,740,013.20	4,787,011.45
Transportation.....	77,131,971.52	72,754,822.84
Miscellaneous Operations.....	1,015,264.84	1,008,737.54
General.....	7,636,463.66	7,660,579.59
Transportation for Investment—Credit.....	411,915.17	393,972.69
Total.....	<u>\$158,926,248.66</u>	<u>\$151,936,078.56</u>

MAINTENANCE OF WAY AND STRUCTURES EXPENSES

	Year 1935	Year 1934
Superintendence.....	\$2,762,810.68	\$2,716,786.55
Roadway Maintenance.....	4,654,014.01	4,318,035.86
Tunnels and Subways.....	26,143.51	23,564.41
Bridges, Trestles and Culverts.....	1,531,094.70	1,544,510.28
Ties.....	4,524,469.24	4,064,552.97
Rails.....	1,734,884.68	2,389,118.39
Other Track Material.....	1,344,685.10	1,407,697.62
Ballast.....	437,436.84	424,587.90
Track Laying and Surfacing.....	9,009,818.85	8,338,608.32
Right of Way Fences.....	325,364.88	332,336.50
Snow and Sand Fences and Snow Sheds.....	107,922.19	94,682.97
Crossings and Signs.....	437,227.88	407,377.77
Station and Office Buildings.....	1,382,227.68	1,143,091.76
Roadway Buildings.....	140,147.32	111,155.75
Water Stations.....	407,574.77	374,164.34
Fuel Stations.....	136,637.54	152,487.93
Shops and Enginehouses.....	1,035,145.63	1,023,126.32
Grain Elevators.....	13,156.12	10,634.55
Storage Warehouses.....	230.72	28.90
Wharves and Docks.....	83,567.39	99,743.82
Coal and Ore Wharves.....	396.92	513.62
Gas Producing Plants.....	34.03	94.26
Telegraph and Telephone Lines.....	1,247,326.27	1,172,680.18
Signals and Interlockers.....	412,169.73	398,887.47
Power Plant Buildings.....	5,992.70	5,477.45
Power Substation Buildings.....	263.83	661.25
Power Transmission Systems.....	10,445.70	6,640.76
Power Distribution Systems.....	88,486.81	50,146.07
Power Line Poles and Fixtures.....	15,980.51	10,442.28
Miscellaneous Structures.....	3,394.40	2,604.24
Paving.....	3,110.05	679.64
Roadway Machines.....	263,162.38	207,654.46
Small Tools and Supplies.....	487,149.13	454,380.74
Removing Snow, Ice and Sand.....	1,734,111.57	2,128,083.94
Assessments for Public Improvements.....	2,852.62	35,976.39
Injuries to Persons.....	341,774.45	339,522.22
Stationery and Printing.....	40,856.85	39,438.98
Other Expenses.....	29,899.59	23,175.28
Maintaining Joint Tracks, Yards and Other Facilities, Dr.....	357,792.07	372,348.76
Cr.....	749,497.81	729,195.99
Depreciation—U.S. Lines only.....	30,624.48	47,601.76
Total.....	\$34,420,886.01	\$33,544,106.65

MAINTENANCE OF EQUIPMENT EXPENSES

	Year 1935	Year 1934
Superintendence.....	\$1,207,676.44	\$1,194,843.77
Shop Machinery.....	1,083,996.29	923,836.31
Power Plant Machinery.....	67,728.29	82,020.37
Power Substation Apparatus.....	310.96	1,981.63
Steam Locomotives—Repairs.....	10,216,215.75	9,950,834.91
Other Locomotives—Repairs.....	101,990.44	71,031.07
Freight Train Cars—Repairs.....	9,974,601.39	9,430,025.70
Passenger Train Cars—Repairs.....	3,817,957.24	3,592,968.46
Floating Equipment—Repairs.....	160,724.69	218,250.27
Work Equipment—Repairs.....	1,046,534.70	913,005.17
Miscellaneous Equipment—Repairs.....	21,306.44	24,806.47
Express Equipment—Repairs.....	87,306.37	82,302.52
Express Equipment—Retirements.....	36,819.49	33,660.47
Equipment Retirements (Demolition Cost).....	58,542.70	74,145.46
Equipment Retirements, Canadian Lines.....	4,786,740.85	4,391,202.42
Equipment Retirements, U.S. Lines.....	.....	36,615.59
Depreciation, U.S. Lines only.....	1,500,034.30	1,354,646.18
Injuries to Persons.....	222,027.54	210,371.27
Insurance.....	45,617.35	56,974.14
Stationery and Printing.....	35,237.83	32,695.70
Other Expenses.....	5,757.56	4,982.44
Maintaining Joint Equipment, Dr.....	57,642.31	54,185.06
Maintaining Joint Equipment, Cr.....	141,204.33	160,592.20
Total.....	\$34,393,564.60	\$32,574,793.18

TRAFFIC EXPENSES

Superintendence.....	\$1,486,434.57	\$1,494,737.93
Outside Agencies.....	2,175,588.32	2,159,307.14
Advertising.....	515,652.44	556,961.62
Traffic Associations.....	86,556.44	77,208.21
Stationery and Printing.....	249,601.61	254,609.92
Other Expenses.....	3,916.42	2,243.64
Industrial Bureau.....	77,136.92	81,534.99
Colonization, Agriculture and Natural Resources.....	145,126.48	160,358.00
Total.....	\$4,740,013.20	\$4,787,011.45

TRANSPORTATION EXPENSES

	Year 1935	Year 1934
Superintendence.....	\$ 2,764,008.51	\$ 2,698,049.91
Dispatching Trains.....	1,059,723.91	1,009,971.22
Station Employees.....	11,785,857.95	11,140,849.81
Weighing, Inspection and Demurrage Bureaus.....	58,743.00	55,345.79
Coal and Ore Wharves.....		1,284.00
Station Supplies and Expenses.....	1,128,288.11	1,127,553.17
Yardmasters and Yard Clerks.....	1,989,695.11	1,867,479.50
Yard Conductors and Brakemen.....	3,465,002.19	3,154,563.42
Yard Switch and Signal Tenders.....	432,721.31	421,518.73
Yard Enginemen.....	2,431,503.72	2,225,638.09
Yard Motormen.....	43,333.87	40,070.69
Fuel for Yard Locomotives.....	2,655,854.19	2,534,675.69
Yard Switching Power Produced.....	8,863.83	8,337.45
Yard Switching Power Purchased.....	58,857.01	58,290.37
Water for Yard Locomotives.....	141,201.77	138,060.39
Lubricants for Yard Locomotives.....	31,951.30	31,901.50
Other Supplies for Yard Locomotives.....	22,801.60	24,784.46
Enginehouse Expenses—Yard.....	947,698.55	884,485.57
Yard Supplies and Expenses.....	110,613.59	109,309.33
Operating Joint Yards and Terminals, Dr.....	790,356.18	811,684.20
Operating Joint Yards and Terminals, Cr.....	<i>1,141,544.54</i>	<i>1,082,660.30</i>
Train Enginemen.....	6,888,248.74	6,411,795.91
Train Motormen.....	123,541.03	114,948.49
Fuel for Train Locomotives.....	12,929,153.83	12,170,416.64
Train Power Produced.....	9,942.42	9,281.48
Train Power Purchased.....	38,512.88	39,271.26
Water for Train Locomotives.....	769,737.03	755,639.65
Lubricants for Train Locomotives.....	251,063.66	243,718.44
Other Supplies for Train Locomotives.....	111,503.80	111,890.66
Enginehouse Expenses—Train.....	2,663,611.43	2,501,990.11
Trainmen.....	7,780,620.61	7,211,877.14
Train Supplies and Expenses.....	4,491,148.59	4,191,317.02
Operating Sleeping Cars.....	648,374.38	661,933.86
Signal and Interlocker Operation.....	421,034.27	396,124.16
Crossing Protection.....	519,166.32	494,922.78
Drawbridge Operation.....	86,089.21	80,358.53
Telegraph and Telephone Operation.....	3,296,776.30	3,236,815.70
Operating Floating Equipment.....	916,009.71	834,545.82
Express Service.....	4,393,463.62	4,134,590.65
Stationery and Printing.....	374,061.72	361,015.26
Other Expenses.....	160,030.66	188,247.96
Operating Joint Tracks and Facilities, Dr.....	180,733.23	171,432.68
Operating Joint Tracks and Facilities, Cr.....	<i>356,720.27</i>	<i>351,532.64</i>
Clearing Wrecks.....	149,065.79	196,066.80
Damage to Property.....	50,259.04	48,305.78
Damage to Live Stock on Right of Way.....	37,936.54	43,471.46
Loss and Damage—Freight.....	475,097.60	485,574.79
Loss and Damage—Baggage.....	5,780.10	1,933.59
Injuries to Persons.....	932,198.12	747,784.87
Total.....	<u>\$77,131,971.52</u>	<u>\$72,754,822.84</u>

MISCELLANEOUS OPERATING EXPENSES

	Year 1935	Year 1934
Dining and Buffet Service.....	\$ 937,993.28	\$ 932,704.82
Restaurants.....	8,268.01	8,361.79
Grain Elevators.....	42,418.18	44,852.42
Other Miscellaneous Operations.....	26,585.37	22,818.51
Total.....	\$1,015,264.84	\$1,008,737.54

GENERAL EXPENSES

Salaries and Expenses of General Officers.....	\$ 398,963.17	\$ 405,686.62
Salaries and Expenses of Clerks and Attendants.....	2,923,982.11	2,854,435.14
General Office Supplies and Expenses.....	186,216.34	221,417.60
Law Expenses.....	321,537.64	360,701.64
Relief Department Expenses.....	27,500.00	27,500.00
Pensions.....	3,381,072.89	3,424,979.29
Stationery and Printing.....	111,866.67	118,139.46
Valuation Expenses.....	29,826.22	34,654.05
Other Expenses.....	245,694.89	203,639.15
General Joint Facilities, Dr.....	19,879.68	19,674.50
General Joint Facilities, Cr.....	10,075.95	10,247.86
Total.....	\$7,636,463.66	\$7,660,579.59

ADDITIONS AND BETTERMENTS LESS RETIREMENTS

	Expenditures Year 1935
ROAD:	
New Lines Constructed.....	\$89,657.34
Montreal Terminal Development Chapter 12—1929.....	78,830.40
Toronto Viaduct.....	16,674.60
Wider Woodward Avenue, Detroit.....	1,337.90
Line Diversions and Revisions.....	37,618.35
Lines Abandoned.....	55,022.00
Rails and Fastenings.....	717,526.23
Tie Plates and Rail Anchors.....	856,904.30
Ties—Cost of Treating.....	1,424,593.65
Ballast.....	256,301.69
Widening Cuts and Fills and Scaling Rock Cuts.....	38,452.44
Ditching, Drainage and Sewers.....	166,480.27
Large Freight Terminals.....	22,079.43
Large Passenger Terminals.....	155,234.23
Yard Tracks and Sidings.....	16,163.23
Bridges, Trestles and Culverts.....	284,841.45
Crossing Protection, including Subways.....	45,381.64
Stations and Station Facilities.....	18,398.58
Water Supplies.....	10,514.53
Shops, Enginehouses and Machinery.....	178,057.14
Docks and Wharves.....	12,771.70
Signals and Interlockers.....	8,352.06
Telegraphs—Railway.....	23,381.11
Telegraphs—Commercial.....	86,627.21
Stores Department, Buildings and Equipment.....	4,842.31
Assessments for Public Improvements.....	111,760.57
Land.....	68,749.67
General Additions and Betterments.....	160,924.10
Total.....	\$4,323,236.79
EQUIPMENT:	
Rolling Stock Purchased, Built or Acquired.....	\$152,816.63
Additions and Betterments to Rolling Stock (including Conversions).....	1,108,407.91
Retirement of Rolling Stock.....	5,707,356.98
Express and Miscellaneous Equipment.....	15,991.17
Floating Equipment.....	6,176.98
Total.....	\$4,423,064.20
HOTELS:	\$535,679.17
SEPARATELY OPERATED PROPERTIES:	\$252,135.13
NET ADDITIONS AND BETTERMENTS EXPENDITURES:	\$687,086.80
Retirement of Obsolete Railway Rolling Stock.....	26,145,096.46
Abandonment of Other Property.....	7,900,172.68
Change per Balance Sheet Accounts.....	\$33,358,182.34

RECEIPTS AND EXPENDITURES
13 YEARS — 1923-1935

RECEIPTS:

Cash on hand, January 1, 1923.....		\$20,790,857.20
Funded Debt issued and retired:—		
New Issues, par.....	\$716,709,734.84	
Temporary loans from Dominion of Canada in 1935 for redemption of funded debt, pending refunding.....	74,726,975.00	
Retirements, par.....	<u>366,433,878.12</u>	
	\$425,002,831.72	
Less discount and issue expenses	<u>14,567,140.05</u>	410,435,691.67
Loans from Dominion of Canada.....		172,927,966.01
Income deficits, Can. Nat. Rlys. contributed by Dominion, 1932-1935		190,072,062.92
Income deficits, Eastern Lines, contributed by Dominion, July 1927-1935.....		51,632,910.24
Appropriations from Public Funds for capital expenditures on Canadian Government Railways.....		5,760,131.66
Reduction in net current assets, excluding cash.....		15,876,126.72
Reduction in other balance sheet accounts.....		<u>8,881,016.23</u>
		<u>\$876,376,762.65</u>

EXPENDITURES:

Investment in Fixed Railway Property.....	\$265,257,643.78	
" Equipment.....	115,837,591.36	
" Hotels.....	25,753,780.33	
" Separately Operated Properties.....	<u>14,243,957.62</u>	421,092,973.09
" Affiliated Companies.....		40,165,250.77
" Sinking Funds.....		7,291,811.75
" Insurance Fund.....		<u>9,590,147.93</u>
Net Income deficit: Excluding interest on Government Loans:		
Interest due to the Public.....	610,494,019.11	
Less income available for interest.....	<u>226,023,856.44</u>	
Deduct: Appropriations for Insurance fund.....	9,590,147.93	373,980,014.74*
Cash on hand, December 31, 1935.....		<u>24,256,564.37</u>
		<u>\$876,376,762.65</u>

*Note: Average for 13 years including Eastern Lines \$28,767,693.44.

In addition to Net Income deficit shown above, \$53,267,534.75 was charged to profit and loss representing property abandonments, obsolete equipment, adjustment of land values, etc.

FUNDED DEBT—PRINCIPAL AND INTEREST

NAME OF SECURITY	Issuing Company	Date of Issue	Date of Maturity	Principal Outstanding at Dec. 31, 1935	Interest Accrued 1935
GUARANTEED BY DOMINION GOVERNMENT:					
5% Perpetual Debenture Stock.....	G.T.R....	1875 to 1883	Perpetual...	\$20,782,491.67	\$1,039,124.58
5% G.W. Perp. Deb. Stock and Bonds..	G.T.R....	1858 to 1876	Perpetual...	13,252,322.67	662,616.12
4% Perpetual Debenture Stock.....	G.T.R....	1883 to 1918	Perpetual...	119,839,014.33	4,793,560.56
4% Nor. Rly. Perpetual Deb. Stock.....	G.T.R....	July 31, 1884	Perpetual...	1,499,979.67	59,999.18
4% Perpetual Guaranteed Stock.....	G.T.R....	1884 to 1909	Perpetual...	60,833,333.33	2,433,333.33
*7% Sinking Fund Gold Deb. Bonds....	G.T.R....	Oct. 1, 1920	Oct. 1, 1940	.....	1,246,350.00
6% Sinking Fund Gold Deb. Bonds....	G.T.R....	Sept. 1, 1921	Sept. 1, 1936	24,220,000.00	1,453,200.00
3% 1st Mtge. Bonds (ex. Govt. holdings)..	G.T.P....	July 1, 1905	Jan. 1, 1962	34,992,000.00	1,049,760.00
4% Sterling Bonds.....	G.T.P....	July 1, 1914	Jan. 1, 1962	8,440,848.00	337,633.92
3% 1st Mortgage Debenture Stock.....	Can. Nor.	July 29, 1903	July 10, 1953	9,359,996.72	280,799.86
3½% 1st Mortgage Debenture Stock....	Can. Nor.	March, 1910	July 20, 1958	7,896,548.57	276,379.21
*7% Sinking Fund Debenture Bonds.....	Can. Nor.	Dec. 1, 1920	Dec. 1, 1940	.....	1,525,819.17
6½% Sinking Fund Debenture Bonds..	Can. Nor.	July 1, 1921	July 1, 1946	24,238,000.00	1,575,470.00
4½% 10 Year Gold Bonds.....	Can. Nor.	Feb. 15, 1925	Feb. 15, 1935	.....	95,625.00
3½% 1st Mortgage Debenture Stock....	C.N.A....	Mar. 22, 1911	May 4, 1960	3,149,998.66	110,249.94
3½% 1st Mortgage Debenture Stock....	C.N.O....	Dec. 8, 1911	May 19, 1961	34,229,996.87	1,198,049.84
5% Equipment Trust—Series "G".....	Can. Nat.	Aug. 1, 1923	Ser. 1, 8, '38	4,500,000.00	250,000.00
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.	Sept. 15, 1924	Sept. 15, 1954	.....	828,750.00
2% 1927 Guaranteed Debenture Stock..	Can. Nat.	July 1, 1926	By Tenders..	25,189,243.73	513,418.25
4½% 30 Year Guaranteed Gold Bonds..	Can. Nat.	July 1, 1927	July 1, 1957	65,000,000.00	2,925,000.00
*4½% 40 Year Guaranteed Gold Bonds..	Can. Nat.	Dec. 1, 1928	Dec. 1, 1968	.....	656,250.00
5% 40 Year Guaranteed Gold Bonds....	Can. Nat.	July 1, 1929	July 1, 1969	60,000,000.00	3,000,000.00
5% 40 Year Guaranteed Gold Bonds....	Can. Nat.	Oct. 1, 1929	Oct. 1, 1969	60,000,000.00	3,000,000.00
5% 40 Year Guaranteed Gold Bonds....	Can. Nat.	Feb. 1, 1930	Feb. 1, 1970	18,000,000.00	900,000.00
4¾% 25 Year Guaranteed Gold Bonds..	Can. Nat.	June 15, 1930	June 15, 1955	50,000,000.00	2,375,000.00
4½% 25 Year Guaranteed Gold Bonds..	Can. Nat.	Feb. 1, 1931	Feb. 1, 1956	70,000,000.00	3,150,000.00
4½% 20 Year Guaranteed Gold Bonds..	Can. Nat.	Sept. 1, 1931	Sept. 1, 1951	50,000,000.00	2,250,000.00
3% 16 Year Guaranteed Bonds.....	Can. Nat.	Dec. 15, 1934	Dec. 15, 1950	20,500,000.00	615,000.00
2% Temporary Guaranteed Bond.....	Can. Nat.	Feb. 15, 1935	Apl. 30, 1935	.....	19,264.33
2% Temporary Guaranteed Bond.....	Can. Nat.	Feb. 15, 1935	Jan. 30, 1936	5,418,000.00	94,815.00
2% 3 Year Guaranteed Bonds.....	Can. Nat.	May 1, 1935	May 1, 1938	13,400,000.00	178,666.67
3% 9 Year Guaranteed Bonds.....	Can. Nat.	May 1, 1935	May 1, 1944	35,000,000.00	698,216.44
Total Issues guaranteed by Dominion Government.....				\$889,741,774.22	\$12,092,351.40
GUARANTEED BY PROVINCE OF NEW BRUNSWICK:					
4% 1st Mortgage Debenture Stock....	St.J. & Q....	May 14, 1912	June 1, 1962	2,727,977.40	109,119.10
GUARANTEED BY PROVINCE OF ONTARIO:					
3½% 1st Mortgage Debenture Stock..	C.N.O.....	1906 and 1908	1936 and 1938	7,859,997.59	275,099.90
GUARANTEED BY PROVINCE OF MANITOBA:					
4% Winnipeg Terminal Bonds.....	Can. Nor....	July 1, 1909	July 1, 1939	3,000,000.00	120,000.00
GUARANTEED BY PROVINCE OF SASKATCHEWAN:					
4% 1st Mortgage Bonds.....	G.T.P.B.L..	May 1, 1909	Jan. 22, 1939	9,874,062.00	394,962.48
4% 1st Mortgage Debenture Stock....	Can. Nor....	June 12, 1909	Jan. 23, 1939	8,029,999.99	321,200.00
GUARANTEED BY PROVINCE OF ALBERTA:					
4% 1st Mortgage Bonds.....	G.T.P.B.L..	May 1, 1912	Feb. 15, 1942	1,153,764.00	46,150.56
4% 1st Mortgage Bonds.....	G.T.P.B.L..	May 1, 1909	Feb. 25, 1939	2,430,000.00	97,200.00
4% 1st Mortgage Debenture Stock....	Can. Nor....	June 10, 1909	Feb. 25, 1939	5,586,665.64	223,466.62
4½% 1st Mtge. Deb. Stock and Bonds	C.N.W.....	March, 1914	Oct. 22, 1943	2,799,997.73	125,999.90
4½% 1st Mtge. Deb. Stock and Bonds	C.N.W.....	Feb. 1914	Feb. 16, 1942	6,424,000.00	289,080.00
GUARANTEED BY PROVINCE OF BRITISH COLUMBIA:					
4% 1st Mortgage Debenture Stock....	C.N.P.....	Nov. 16, 1911	April 2, 1950	16,412,001.13	656,480.07
4½% Terminal Debenture Stock.....	C.N.P.....	1913 & 1914	April 2, 1950	8,614,000.00	387,630.00
Total Issues guaranteed by Provincial Governments.....				\$ 74,912,465.48	\$ 3,046,388.63
Carried forward.....				\$964,654,239.70	\$45,138,740.03

FUNDED DEBT—PRINCIPAL AND INTEREST (Continued)

NAME OF SECURITY	Issuing Company	Date of Issue	Date of Maturity	Principal Outstanding at Dec. 31, 1935	Interest Accrued 1935
Brought forward.....				\$964,654,239.70	\$45,138,740.03
EQUIPMENT TRUST ISSUES:					
6% Series "U.S.R.A.".....	G.T.W.....	Jan. 15, 1920	Ser. 15, 1, '35	.....	516.25
7% " " "E".....	Can. Nor.....	May 1, 1920	May 1, 1935	.....	288,283.33
6½% " " "F".....	G.T.R.....	Feb. 1, 1921	Feb. 1, 1936	9,555,000.00	621,071.93
4½% " " "H".....	Can. Nat.....	July 1, 1924	Ser. 1, 7, '39	2,500,000.00	126,562.50
4½% " " "J".....	Can. Nat.....	May 1, 1927	Ser. 1, 5, '42	7,000,000.00	330,000.00
5% " " "K".....	Can. Nat.....	May 1, 1929	Ser. 1, 5, '44	10,800,000.00	560,000.00
5% " " "G.T.W.".....	G.T.W.....	Dec.14, 1929	Ser. 14, 12, '44	2,540,000.00	140,481.79
5% " " "C.V.R.".....	C.V.....	Dec.14, 1929	Ser. 14, 12, '44	1,105,000.00	61,174.44
4½% " " "L".....	Can. Nat.....	June 1, 1930	Ser. 1, 6, '45	10,500,000.00	492,187.50
Total Equipment Trust Issues.....				\$44,000,000.00	\$2,620,277.74
OTHER ISSUES:					
4% Canada Atlantic 1st Mtge. Bonds.	G.T.R.....	Jan. 1, 1905	Jan. 1, 1955	16,000,092.00	640,003.68
7% Wellington, Grey & Brnce Bonds.	G.T.R.....	July 1, 1869	By Drawings	110,959.99	20,227.26
6% Northern Railway 3rd Pref. Bonds.	G.T.R.....	1868	Perpetual...	70,566.66	4,234.00
3¾% 1st Mortgage Bonds.....	N.E.Elev.....	July 1, 1901	Ser. 1, 7, '41	60,000.00	2,437.50
4% 1st Mortgage Bonds.....	Port. Elev...	Jan. 1, 1897	Ser. 1, 1, '37	10,000.00	400.00
4% 1st Mortgage Bonds.....	Pem. South...	Sept. 1, 1906	Sept. 1, 1956	150,000.00	6,000.00
4% 2nd Mort. Bonds Prairie "A".....	G.T.P.....	April 1, 1905	April 1, 1955	10,206,000.00	408,240.00
4% 2nd Mort. Bonds Mountain "B".....	G.T.P.....	April 1, 1905	April 1, 1955	9,963,000.00	398,520.00
4% 1st Mort. Bonds Lake Superior...	G.T.P.....	April 1, 1905	April 1, 1955	7,533,000.00	301,320.00
4% Perpetual Con. Debenture Stock...	Can. Nor.....	1903 to 1912	Perpetual...	44,943,019.40	1,797,720.74
4% Perpetual Con. Debenture Stock...	C.N.O.....	June 21, 1909	Perpetual...	8,724,113.20	348,964.50
4% Perpetual Con. Debenture Stock...	C.N.Q.....	Oct. 1906	Perpetual...	5,250,369.26	210,014.76
4% 1st Mortgage Perp. Deb. Stock...	Q. & L.St.J...	June 1, 1912	Perpetual...	4,252,503.06	170,100.14
4% 1st Mortgage Debenture Stock....	Q.L.L. & S...	Oct. 17, 1906	July 1, 1936	5,020,748.98	200,829.02
5% 1st Mortgage Rent Charge Bonds.	M.R.T. & T.	Apr. 15, 1918	April 15, 1970	877,460.00	44,958.63
5% 1st Mortgage Bonds.....	C.N.C.&O.D.	Jan. 1, 1916	Jan. 1, 1936	1,375,000.00	68,750.00
4% 1st Mortgage Debenture Stock....	D.W. & P...	May 1, 1910	June 1, 1939	7,004,997.27	280,199.89
4% 1st Mortgage Bonds.....	G.T.W.....	Nov.30, 1900	July 1, 1950	10,964,416.00	439,051.23
4½% 1st Mortgage Series "A" Bonds	G.T.W.....	Jan. 1, 1930	Jan. 1, 1980	400,000.00	18,000.00
4½% 1st Mortgage S.F. Gold Bonds..	N.T.R.B.L..	Dec.23, 1927	Oct. 1, 1955	2,420,000.00	111,611.25
4% Indebtedness of S.S. & C. Co.....	C.V.Rly.....	Aug.27, 1858	Optional.....	155,865.25	6,234.61
4% 1st Mortgage Gold Bonds.....	M. & P.L....	Oct. 1, 1900	Oct. 1, 1950	200,000.00	8,000.00
3½% 1st Mtge. Guar. Deb. Bonds....	H. & S.W...	Oct. 1, 1912	Sept. 30, 1942	4,447,000.00	155,645.00
5% Indebtedness to Prov. of N. B....	Can. Nat....	Sept. 3, 1929	Various.....	1,364,022.60	68,201.13
4% First Mortgage Bonds.....	M.W. Co.....	April 1, 1906	April 1, 1936	6,000.00	Separately
5% 1st Mtge. Sinking Fund Gold Bonds	R.&R.C.Co..	April 1, 1908	April 1, 1938	1,033,000.00	Optd. Prop's.
Indebtedness to State of Michigan....	G.T.W.....	July 20, 1927	Serially 1945	3,582,627.41	No Interest
4% Registered Serial Notes.....	G.T.W.....	June 27, 1934	July 1, 1935	.....	111.11
Total Other Issues.....				\$146,124,761.08	\$5,709,774.45
Total Debt held by Public (including therein \$11,792,798.65 par value held in Special Funds and Accounts) as per Balance Sheet.....				\$1,154,779,000.78	\$53,468,792.22

NOTE: These obligations are stated in Canadian currency—Sterling and United States currencies being converted at the par of exchange.

*Called in 1935 prior to date of maturity.

LOANS FROM DOMINION OF CANADA

	Principal Outstanding at December 31, 1935	Accrued Interest 1935
CANADIAN NORTHERN RAILWAY:		
3½% Loan, Chap. 6, 1911.....	\$2,396,099.68	\$83,863.48
4% Loan, Chap. 20, 1914.....	5,294,000.02	211,760.00
5% Loan, Chap. 4, 1915.....	10,000,000.00	500,000.00
6% Loan, Chap. 29, 1916.....	15,000,000.00	900,000.00
6% Loan, Chap. 24, 1917.....	25,000,000.00	1,500,000.00
6% Loan, Vote 110, 1918.....	25,000,000.00	1,500,000.00
6% Loan, Vote 108, 1919.....	35,000,000.00	2,100,000.00
6% Loan, Vote 127, 1920.....	48,611,077.00	2,916,664.62
6% Loan, Vote 126, 1921.....	44,419,806.42	2,665,188.38
6% Loan, Vote 136, 1922.....	42,800,000.00	2,568,000.00
6% Loan, 1918 War Measures Act.....	1,887,821.16	113,269.26
	\$255,408,804.28	
GRAND TRUNK RAILWAY:		
6% Loan, Vote 478, 1920.....	\$25,000,000.00	1,500,000.00
6% Loan, Vote 126, 1921.....	55,293,435.18	3,317,606.10
6% Loan, Vote 137, 1922.....	23,288,747.15	1,397,324.82
4% Loan to G.T.P. Rly., Chap. 23, 1913.....	15,000,000.00	600,000.00
	118,582,182.33	
GRAND TRUNK PACIFIC RAILWAY:		
6% Loan, Chap. 4, 1915.....	\$6,000,000.00	360,000.00
3% Bonds, Chap. 24, 1913.....	33,048,000.00	991,440.00
6% Loan, Vote 441, 1916.....	7,081,783.45	273,350.60
6% Loan, Vote 444, 1917.....	5,038,053.72	251,764.42
6% Loan, Vote 110, 1918.....	7,471,399.93	347,246.40
Receiver Account O.C. 26th March, 1919.....	45,764,162.35	2,745,849.74
Interest guaranteed by Dominion of Canada.....	8,704,662.65	.....
Interest guaranteed by Provinces of Alta. & Sask.....	2,898,536.98	.....
	116,006,599.08	
PURCHASE OF RAILWAY EQUIPMENT:		
6% Loan, Chap. 38, 1918.....	\$13,962,639.21	837,079.70
6% Loan, Vote 96, 1919.....	23,379,655.27	1,401,732.76
6% Loan, Vote 115, 1920.....	15,541,406.96	930,205.58
6% Loan, Vote 113, 1921.....	1,726,493.59	103,543.40
6% Loan, Vote 115, 1922.....	2,315,805.79	138,948.34
	56,926,000.82	
CANADIAN NATIONAL RAILWAY:		
6% Loan, Vote 139, 1923.....	\$24,550,000.00	958,112.97
5% Loan, Vote 137, 1924.....	10,000,000.00	300,474.47
5% Loan, Vote 377, 1925.....	10,000,000.00	511,183.74
5% Loan, Vote 372, 1926.....	10,000,000.00	434,886.28
5% Loan, Vote 366, 1929.....	2,932,652.91	146,632.64
5% & 5¼% Loan, Chaps. 22, 1931, 6, 1932.....	41,121,216.41	2,113,863.86
	98,603,869.32	
	\$645,527,455.83	
5¼% Loan, Chap. 25, 1932.....	\$8,077,338.33	\$424,060.26
4¾% Loan, Chap. 34, 1933.....	8,228,101.10	390,834.80
4½% Loan, Chap. 28, 1934.....	10,747,973.98	482,003.00
4% Loan, Chap. 17, 1935.....	7,293,065.84	153,474.14
3½% Loan, Chap. 28, 1934 (Over accrued in 1934).....		220,687.06
	34,346,479.25	
	\$679,873,935.08	\$35,949,676.70

TEMPORARY LOANS FROM DOMINION OF CANADA FOR REDEMPTION OF FUNDED DEBT, PENDING REFUNDING— INTEREST PAID BY RAILWAY

CANADIAN NATIONAL RAILWAY:		
3% Notes, Refunding Act 1935.....	\$26,520,000.00	
1% Notes, Refunding Act 1935.....	24,083,500.00	
1% Note, Refunding Act 1935.....	24,123,475.00	
	\$74,726,975.00	\$783,671.47

INVESTMENTS IN AFFILIATED COMPANIES

COMPANY	Amount Outstanding	Amount Owned by Can. Nat. System	Book Value
"A"—STOCKS:			
Atlantic and St. Lawrence Rail Road Company.....	\$5,480,700.00	\$224.33	\$176.53
The Belt Railway Company of Chicago.....	3,120,000.00	240,000.00	240,000.00
Canadian Airways, (Limited) (no par value).....	129,753 shares	10,000 shares	50,000.00
Canadian Government Merchant Marine, Limited.....	100,300.00	300.00	300.00
Central Vermont Transportation Company.....	200,000.00	50,000.00	20,000.00
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	2,142,000.00
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
The Ontario Car Ferry Company (Limited).....	500,000.00	250,000.00	179,007.53
Public Markets Limited.....	1,150,000.00	575,000.00	575,000.00
Railway Express Agency, Incorporated (no par value)	1,000 shares	7 shares	700.00
The Toronto Terminals Railway Company.....	50,000.00	25,000.00	25,000.00
The Toledo Terminal Railroad Company.....	4,000,000.00	387,200.00	387,200.00
			\$5,931,884.06
"B"—BONDS:			
Atlantic and St. Lawrence Rail Road Company.....	\$3,000,000.00	\$3,000,000.00	\$3,012,040.00
The Detroit & Toledo Shore Line R.R. Co. First Mortgage Bonds.....	3,000,000.00	587,000.00	571,615.00
Northern Alberta Railways Co. First Mortgage Bonds.....	13,970,000.00	6,985,000.00	6,985,000.00
The Toronto Terminals Railway Company, First Mortgage Bonds.....	23,724,800.00	11,862,400.00	11,862,400.00
			\$22,431,055.00
"D"—ADVANCES:			
Chicago & Western Indiana Railroad Company.....			\$1,037,097.32
The Railroad Credit Corporation.....			465,853.27
Railway Express Agency, Incorporated.....			70,160.76
The Toronto Terminals Railway Company.....			1,618,057.18
			\$3,221,168.53
Total per Balance Sheet			\$31,584,107.59

MAJOR CONTINGENT LIABILITIES IN RESPECT OF AFFILIATED AND OTHER COMPANIES

NORTHERN ALBERTA RAILWAYS COMPANY:

The Canadian National Railway Company owns \$3,125,000 of the Capital Stock of the Railways Company on which total call to date has been 10%.

Under agreement of purchase dated 6th February, 1929, Canadian National Railway Company became liable for one-half of the purchase consideration. This obligation was later assumed by Northern Alberta Railways Company which took title to the property. The future commitment of the Canadian National Railway Company is \$7,500,000 in respect to the purchase and, in addition 50% of the annual deficit.

THE TORONTO TERMINALS RAILWAY COMPANY:

The Canadian National Railway Company owns \$250,000 of the Capital Stock of the Terminals Company on which total call to date has been 10%.

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 AND WESTERN INDIANA RAILROAD COMPANY:

Assumed by Grand Trunk Western Railroad Company pursuant to joint supplemental lease dated July 1, 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 December 31st, 1935, are:—

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

Assumed by Grand Trunk Western Railroad Company pursuant to joint supplemental leases dated January 28th, 1925, and September 1st, 1932, between Grand Trunk Western Railway 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 5½% 50 year Gold Bonds due 1962 and the amount outstanding at December 31, 1935, is \$22,826,000.

DOMINION AGRICULTURAL CREDIT CORPORATION:

Canadian National Railway Company owns \$500,000 of the Capital Stock of the Corporation on which total call to date has been 10%.

WIDER WOODWARD AVENUE PROJECT, DETROIT:

By contract with the State of Michigan, dated July 20, 1927, the Grand Trunk Western Railroad Company is obliged to repay over a period of fifteen years to the State of Michigan, the cost of relocating the company's right-of-way and tracks for a distance of approximately nine miles northerly of Royal Oak, Michigan. While the total amount to be repaid has not been finally determined, the liability, as estimated by the Railway, has been provided for.

CANADIAN GOVERNMENT RAILWAYS:

WORKMEN'S COMPENSATION AWARDS

Under authority of Privy Council Order dated January 20th, 1923, operation of the Canadian Government Railways was entrusted to Canadian National Railway Company by the Dominion Government.

Prior to entrustment no provision was made in Canadian Government Railways' accounts for capitalized liability arising from Awards of the several Provincial Workmen's Compensation Boards, the accounts being charged only with the monthly compensation awarded employees as paid. This practice has been continued under operation by Canadian National Railway Company on behalf of the Government.

**SCHEDULE OF COMPANIES COMPRISING THE CANADIAN NATIONAL
RAILWAY SYSTEM**

NAME OF ISSUING COMPANY	Capital Stock	Held by System	Owned by Government Owned by <i>Public</i>
CANADIAN NATIONAL RAILWAY COMPANY.....	\$180,424,327.70	\$14,796,589.00	†\$165,627,738.70
*Canada Atlantic Transit Company.....	219,000.00	219,000.00	
*Canada Atlantic Transit Company of U.S.....	250,000.00	250,000.00	
The Canadian Express Company.....	1,768,800.00	1,768,800.00	
Canadian National Land Settlement Association.....	—	—	
*Canadian National Railways (France).....	2,007,400.00	2,007,400.00	
Canadian National Rolling Stock Limited.....	50,000.00	50,000.00	
*Canadian National Transportation Limited.....	500.00	500.00	
The Champlain and St. Lawrence Railroad Company.....	50,000.00	50,000.00	
*Chicago, New York and Boston Refrigerator Company.....	1,129,400.00	1,129,400.00	
Cincinnati, Saginaw and Mackinaw Rail Road Company.....	1,500,000.00	1,500,000.00	
*Consolidated Land Corporation.....	64,000.00	64,000.00	
Grand Trunk-Milwaukee Car Ferry Company.....	200,000.00	200,000.00	
Grand Trunk Western Railroad Company (Common).....	20,000,000.00	20,000,000.00	
Grand Trunk Western Railroad Company (Preferred).....	25,000,000.00	25,000,000.00	
*Industrial Land Company.....	1,000.00	1,000.00	
International Bridge Company.....	1,500,000.00	1,500,000.00	
The Maganetawan River Railway Company.....	30,000.00	30,000.00	
Manitoba Northern Railway Company.....	500,000.00	500,000.00	
*Montreal Fruit & Produce Terminal Company, Limited.....	500.00	500.00	
*Montreal and Southern Counties Railway Company.....	500,000.00	310,500.00	189,500.00
*The Montreal Stock Yards Company.....	350,000.00	350,000.00	
*The Montreal Warehousing Company.....	236,000.00	223,460.00	12,540.00
*Muskegon Railway and Navigation Company.....	161,293.00	161,293.00	
*National Terminals of Canada, Limited.....	2,500.00	2,500.00	
National Transcontinental Railway Branch Lines Company.....	500.00	500.00	
New England Elevator Company.....	400,000.00	400,000.00	
*The Oshawa Railway Company.....	40,000.00	40,000.00	
The Ottawa Terminals Railway Company.....	250,000.00	250,000.00	
The Pembroke Southern Railway Company.....	107,800.00	90,600.00	17,200.00
Portland Elevator Company.....	50,000.00	50,000.00	
*Prince Charles, Limited.....	10,000.00	10,000.00	
*Prince David, Limited.....	10,000.00	10,000.00	
*Prince George, Limited.....	10,000.00	10,000.00	
*Prince Henry, Limited.....	10,000.00	10,000.00	
*Prince John, Limited.....	10,000.00	10,000.00	
*Prince Robert, Limited.....	10,000.00	10,000.00	
*Prince Rupert, Limited.....	10,000.00	10,000.00	
*Prince William, Limited.....	10,000.00	10,000.00	
*Rail & River Coal Company.....	2,000,000.00	2,000,000.00	
St. Clair Tunnel Company.....	700,000.00	700,000.00	
*The Thousand Islands Railway Company.....	60,000.00	60,000.00	
The Toronto Belt Line Railway Company.....	50,000.00	33,400.00	16,600.00
The United States and Canada Rail Road Company.....	219,400.00	218,925.00	475.00
Vermont and Province Line Railroad Company.....	200,000.00	200,000.00	
Total Canadian National Railway Group.....	\$240,102,420.70	\$74,238,367.00	\$165,864,053.70
THE CANADIAN NORTHERN RAILWAY COMPANY.....	\$101,000,600.00	\$1,000,000.00	\$100,000,600.00
The Bay of Quinté Railway Company.....	1,395,000.00	1,395,000.00	
The Bessemer and Barry's Bay Railway Company.....	125,000.00	125,000.00	
The Canadian Northern Alberta Railway Company.....	3,000,000.00	3,000,000.00	
The Canadian Northern Railway Express Company, Limited.....	1,000,000.00	1,000,000.00	
Canadian Northern Manitoba Railway Company.....	250,000.00	250,000.00	
The Canadian Northern Ontario Railway Company.....	10,000,000.00	10,000,000.00	
Canadian Northern Pacific Railway Company.....	25,000,000.00	25,000,000.00	
The Canadian Northern Quebec Railway Company.....	9,550,000.00	5,700,800.00	3,849,200.00
*Canadian National Realities, Limited.....	40,000.00	40,000.00	
Canadian Northern Steamships, Limited.....	2,000,000.00	2,000,000.00	
The Canadian Northern Coal and Ore Dock Company, Limited.....	500,000.00	500,000.00	
*Canadian National Electric Railways.....	1,750,000.00	1,750,000.00	
Canadian National Express Company.....	1,000,000.00	1,000,000.00	
Canadian Northern System Terminals (Limited).....	2,000,000.00	2,000,000.00	
Canadian National Telegraph Company.....	500,000.00	500,000.00	
Canadian Northern Western Railway Company.....	2,000,000.00	2,000,000.00	
The Central Ontario Railway.....	3,331,000.00	3,329,000.00	2,000.00
*Continental Realty & Holding Company.....	90,000.00	90,000.00	
*The Dalhousie Navigation Company, Limited.....	50,000.00	50,000.00	
Carried forward.....	\$164,581,600.00	\$60,729,800.00	\$103,851,800.00

**SCHEDULE OF COMPANIES COMPRISING THE CANADIAN NATIONAL
RAILWAY SYSTEM—Continued**

NAME OF ISSUING COMPANY	Capital Stock	Held by System	Owned by Government Owned by <i>Public</i>
Brought forward.....	\$164,581,600.00	\$60,729,800.00	\$103,851,800.00
Duluth, Winnipeg and Pacific Railroad Company.....	100,000.00	100,000.00	
Duluth, Winnipeg and Pacific Railway Company.....	3,100,000.00	3,100,000.00	
*Duluth and Virginia Realty Company.....	45,000.00	45,000.00	
Duluth, Rainy Lake & Winnipeg Railway Company.....	2,000,000.00	2,000,000.00	
The Great North Western Telegraph Company of Canada.....	373,625.00	35,075.00	7,050.00
The Great North Western Telegraph Company of Canada (held in escrow).....		331,500.00	
The Halifax and South Western Railway Company.....	1,000,000.00	1,000,000.00	
The Irondale, Bancroft and Ottawa Railway Company.....	53,500.00	53,000.00	500.00
The James Bay and Eastern Railway Company.....	125,000.00	125,000.00	
The Lake Superior Terminals Company Limited.....	500,000.00	500,000.00	
*Market Gardens Limited.....	200,000.00	200,000.00	
The Marmora Railway and Mining Company.....	128,600.00	128,600.00	
The Minnesota and Manitoba Railroad Company.....	400,000.00	400,000.00	
The Minnesota and Ontario Bridge Company.....	100,000.00	100,000.00	
Mount Royal Tunnel and Terminal Company, Limited.....	5,000,000.00	5,000,000.00	
*The Niagara, St. Catharines and Toronto Railway Company.....	925,000.00	925,000.00	
*The Niagara, St. Catharines and Toronto Navigation Company (Limited).....	100,000.00	100,000.00	
The Quebec and Lake St. John Railway Company.....	4,508,300.00	4,019,140.00	489,160.00
The Qu'Appelle, Long Lake and Saskatchewan Railroad and Steamboat Company.....	201,000.00	201,000.00	
St. Boniface Western Land Company.....	250,000.00	250,000.00	
The St. Charles and Huron River Railway Company.....	1,000.00	1,000.00	
The Winnipeg Land Company Limited.....	100,000.00	100,000.00	
Total Canadian Northern Railway Group.....	\$183,792,625.00	\$79,444,115.00	\$104,348,510.00
THE GRAND TRUNK PACIFIC RAILWAY COMPANY.....	\$24,940,200.00	\$24,940,200.00	
The Grand Trunk Pacific Branch Lines Company.....	200,000.00	200,000.00	
The Grand Trunk Pacific Saskatchewan Railway Company.....	20,000.00	20,000.00	
*The Grand Trunk Pacific Development Company, Limited.....	3,000,000.00	3,000,000.00	
*Canadian National Steamship Company, Limited.....	15,000.00	15,000.00	
*Grand Trunk Pacific Terminal Elevator Company, Limited.....	501,000.00	501,000.00	
*Grand Trunk Pacific Dock Company, of Seattle.....	150,000.00	150,000.00	
Total Grand Trunk Pacific Railway Group.....	\$28,826,200.00	\$28,826,200.00	
CENTRAL VERMONT RAILWAY, INC.....	\$10,000,000.00	\$10,000,000.00	
*Central Vermont Airways, Inc.....	5,000.00	5,000.00	
*The Centmont Corporation.....	196,400.00	196,400.00	
*Bethel Granite Railway Company.....	25,000.00	25,000.00	
*Brooksey Realty Company.....	2,000.00	2,000.00	
Montreal and Province Line Railway Company.....	1,000,000.00	1,000,000.00	
The Montreal and Vermont Junction Railway Company.....	197,300.00	197,300.00	
The Stanstead, Shefford and Chambly Railroad Company.....	608,333.33	608,333.33	
Total Central Vermont Railway Group.....	\$12,034,033.33	\$12,034,033.33	
SUMMARY			
Canadian National Railway Group.....	\$240,102,420.70	\$74,238,367.00	\$165,864,053.70
Canadian Northern Railway Group.....	183,792,625.00	79,444,115.00	104,348,510.00
Grand Trunk Pacific Railway Group.....	28,826,200.00	28,826,200.00	
Central Vermont Railway Group.....	12,034,033.33	12,034,033.33	
	\$464,755,279.03	\$194,542,715.33	#\$270,212,563.70

The accounts of Companies indicated () are includible in the System Income Account as "Separately Operated Properties."
†One certificate for \$130,424,327.70 of the Company's Capital Stock is issued in the name of His Majesty as representing \$165,627,738.70 of Grand Trunk Stock previously held by the Public and \$14,796,589 previously held in that Company's treasury.
‡\$265,628,338.70 of this amount is owned by the Dominion of Canada, \$4,584,225.00 by the Public.

STATEMENT OF REVENUE TONNAGE BY COMMODITIES FOR YEARS 1935-1934

	Year 1935	Year 1934	Increase or Decrease	
	Tons	Tons	Tons	Percents
AGRICULTURAL PRODUCTS:				
Wheat.....	3,864,694	4,042,803	178,109	4.41
Corn.....	281,086	386,289	105,203	27.23
Oats.....	470,530	608,398	137,868	22.66
Barley.....	256,629	373,343	116,714	31.26
Rye.....	27,724	21,904	5,820	26.57
Flaxseed.....	18,719	13,831	4,888	35.34
Other Grain.....	33,583	33,208	375	1.13
Flour.....	659,153	674,658	15,505	2.30
Other Mill Products.....	893,874	945,163	51,289	5.43
Hay and Straw.....	254,136	270,897	16,761	6.19
Cotton.....	54,803	54,802	1	—
Apples (Fresh).....	93,153	116,573	23,420	20.09
Other Fruit (Fresh).....	244,916	211,049	33,867	16.05
Potatoes.....	149,706	201,622	51,916	25.75
Other Fresh Vegetables.....	135,310	149,523	14,213	9.51
Other Agricultural Products.....	455,631	462,958	7,327	1.58
Total.....	7,893,647	8,567,021	673,374	7.86
ANIMAL PRODUCTS:				
Horses.....	26,366	30,957	4,591	14.83
Cattle and Calves.....	270,543	244,983	25,560	10.43
Sheep.....	19,879	19,384	495	2.55
Hogs.....	100,619	109,072	8,453	7.75
Dressed Meats (Fresh).....	174,890	192,807	17,917	9.29
Dressed Meats (Cured, Salted, Canned).....	49,732	59,522	9,790	19.45
Other Packing House Products (Edible).....	69,683	85,874	16,191	18.85
Poultry.....	18,080	25,176	7,096	28.19
Eggs.....	37,493	46,453	8,960	19.29
Butter.....	55,878	67,756	11,878	17.53
Cheese.....	21,554	24,751	3,197	12.02
Wool.....	20,681	20,937	256	1.22
Hides and Leather.....	62,159	52,066	10,093	19.39
Other Animal Products (Non-Edible).....	50,049	40,194	9,855	24.52
Total.....	977,606	1,019,932	42,326	4.15
MINE PRODUCTS:				
Anthracite Coal.....	1,435,566	1,547,249	111,683	7.22
Bituminous Coal.....	5,501,485	5,483,235	18,250	.33
Lignite Coal.....	1,280,211	1,136,325	143,886	12.66
Coke.....	614,321	688,324	74,003	10.75
Iron Ores.....	8,596	4,520	4,076	90.18
Copper Ore and Concentrates.....	5,613	4,032	1,581	39.21
Other Ores and Concentrates.....	416,477	179,125	237,352	132.51
Base Bullion, Matte, Pig and Ingot (Non-ferrous Metals).....	325,506	203,993	121,513	59.57
Sand and Gravel.....	846,231	697,031	149,200	21.41
Stone (Crushed, Ground, Broken).....	500,529	528,735	28,206	5.33
Slate, Dimension or Block Stone.....	118,144	69,639	48,505	69.65
Crude Petroleum.....	266,657	198,600	68,057	34.27
Asphalt (Natural, By-Product Petroleum).....	137,332	90,980	46,352	50.95
Salt.....	291,587	301,865	10,278	3.40
Other Mine Products.....	1,092,906	958,893	134,013	13.98
Total.....	12,841,161	12,092,546	748,615	6.19
FOREST PRODUCTS:				
Logs, Posts, Poles and Piling.....	334,393	268,940	65,453	24.34
Cordwood and Other Firewood.....	745,629	852,392	106,763	12.53
Ties.....	30,775	26,123	4,652	17.81
Pulpwood.....	1,432,343	1,337,199	95,144	7.12
Lumber, Timber, Box, Crate and Cooperage Material.....	1,953,792	1,825,606	128,186	7.02
Other Forest Products.....	232,915	225,370	7,545	3.35
Total.....	4,729,817	4,535,630	194,187	4.28

REVENUE TONNAGE BY COMMODITIES—Continued

	Year	Year	Increase or	
	1935	1934	Decrease	
	Tons	Tons	Tons	Percents
MANUFACTURES AND MISCELLANEOUS:				
Gasoline.....	1,021,005	1,027,531	6,526	.64
Petroleum Oils and Petroleum Products (except Asphalt and Gasoline).....	646,561	618,889	27,672	4.47
Sugar.....	187,042	177,024	10,018	5.66
Iron, Pig and Bloom.....	123,811	112,663	11,148	9.89
Rails and Fastenings.....	13,806	22,429	8,623	38.45
Iron and Steel (Bar, Sheet, Structural, Pipe).....	1,102,493	683,136	419,357	61.39
Castings, Machinery and Boilers.....	103,665	86,342	17,323	20.06
Cement.....	272,793	318,699	45,906	14.40
Brick and Artificial Stone.....	95,762	102,140	6,378	6.24
Line and Plaster.....	185,368	163,775	21,593	13.18
Sewer Pipe and Drain Tile.....	20,814	15,882	4,932	31.05
Agricultural Implements and Vehicles other than Autos.....	87,786	60,123	27,663	46.01
Automobiles, Auto Trucks and Auto Parts.....	1,610,876	1,146,697	464,179	40.48
Household Goods and Settlers' Effects.....	28,888	44,563	15,675	35.17
Furniture.....	21,201	19,675	1,526	7.76
Liquor, Beverages.....	127,669	118,231	9,438	7.98
Fertilizers, all kinds.....	306,316	283,480	22,836	8.06
Newsprint Paper.....	974,031	916,738	57,293	6.25
Other Paper.....	185,807	170,353	15,454	9.07
Paper Board, Pulpboard and Wallboard (Paper).....	221,868	196,475	25,393	12.92
Woodpulp.....	692,769	641,681	51,088	7.96
Fish (Fresh, Frozen, Cured, etc.).....	58,020	51,771	6,249	12.07
Canned Goods (All canned food products except Meats).....	250,446	223,471	26,975	12.07
Other Manufactures and Miscellaneous.....	2,790,734	2,336,411	454,323	19.45
Merchandise (All L.C.L. Freight).....	1,235,956	1,212,924	23,032	1.90
Total.....	12,365,487	10,751,103	1,614,384	15.02
Grand Total.....	38,807,718	36,966,232	1,841,486	4.98

DETAILS OF RAILWAY EQUIPMENT

LOCOMOTIVES:	December 31, 1934	Additions During Year	Retirements During Year	Conversions During Year		December 31, 1935
				Added	Retired	
Passenger—Freight.....	2,450		219			2,231
Switching.....	522		27			495
Electric Locomotives.....	15					15
Oil and Gas Electric.....	5					5
Total	2,992		246			2,746
FREIGHT EQUIPMENT:						
Box Cars.....	82,211		10,266	860	1,713	71,092
Flat Cars.....	6,908		1,111		150	5,647
Stock Cars.....	4,569		1,675	587		3,481
Coal Cars.....	12,845	61	626	110	1	12,389
Tank Cars.....	198		32		9	157
Refrigerator Cars.....	4,003		1,096		2	2,905
Caboose Cars.....	1,796		285	6	6	1,511
Other Cars in Freight Service.....	535		529			6
Total	113,065	61	15,620	1,563	1,881	97,188
PASSENGER EQUIPMENT:						
First Class Cars.....	910		158	1	4	749
Second Class Cars.....	222		51		1	170
Combination Cars.....	369		99	8		278
Immigrant Cars.....	357		51		11	295
Dining Cars.....	103		2		1	100
Parlor Cars.....	162		16	7	1	152
Sleeping Cars.....	349		17	2	8	326
Postal Cars.....	60				2	58
Baggage and Express Cars.....	935		157	2		780
Unit Cars.....	58		4			54
Other Cars in Passenger Service.....	136		29	1		108
Total	3,661		584	21	28	3,070
WORK EQUIPMENT:						
Unit Cars (Track Inspection).....	1					1
Business Cars.....	78		9			69
All Other Cars in Company's Service.....	10,499	2	4,981	334	9	5,845
Total	10,578	2	4,990	334	9	5,915
FLOATING EQUIPMENT:						
Motor Ship.....	1					1
Car Ferries.....	11					11
Barges.....	7					7
Tugs.....	6					6
Work.....	2					2

STATISTICS OF RAIL-LINE OPERATION
TRAIN AND LOCOMOTIVE MILEAGE

Class of Service	TRAIN MILEAGE				LOCOMOTIVE MILEAGE				Total Locomotive Mileage			
	Loaded		Empty		Principal		Helper		Light		1934	
	1935	1934	1935	1934	1935	1934	1935	1934	1935	1934	1935	
Freight	22,271,773	21,466,660	22,285,489	21,480,077	368,613	382,344	578,057	373,506	23,032,159	22,235,927		
Passenger	16,169,694	16,027,908	16,169,664	16,027,908	76,947	89,632	232,404	274,409	16,499,015	16,392,039		
Mixed	4,198,572	4,176,424	4,198,621	4,176,552	9,629	20,012	45,068	48,920	4,253,318	4,245,484		
Special	27,176	25,461	27,176	25,461	2,975	1,605	1,292	1,432	31,443	28,498		
Unit Cars	1,584,568	1,497,301										
Train Switching												
Yard Switching—Freight												
" —Passenger												
Total Transportation	44,251,733	43,193,754	42,680,950	41,709,998	458,164	493,593	676,821	698,357	56,092,936	54,784,793		
Work	1,231,054	1,313,474							1,418,725	1,543,341		
Grand Total	45,482,807	44,507,228	42,680,950	41,709,998	458,164	493,593	676,821	698,357	57,511,661	56,328,134		

FREIGHT TRAIN CAR MILEAGE

Class of Service	Loaded		Empty		Total Loaded and Empty		Caboose		Total Freight Train Car Mileage	
	1934		1935		1934		1935		1934	
	1935	1934	1935	1934	1935	1934	1935	1935	1935	
Freight Train	597,647,171	565,707,886	276,025,062	280,845,358	873,672,233	846,553,044	22,682,315	21,776,675	896,354,548	868,329,719
Mixed Train	26,441,736	25,857,621	11,282,831	11,714,317	37,724,567	37,571,938	1,525,830	1,525,830	39,451,202	39,097,768
Special Train	235,844	193,451	2,423	3,767	238,267	197,218	24,599	23,984	262,866	221,202
Other Transportation	6,626,309	6,271,855	4,853,168	4,766,221	11,479,477	11,038,076	672,081	695,180	12,151,558	11,733,256
Total Transportation	630,951,060	598,030,613	292,163,484	297,329,663	923,114,544	895,360,276	25,105,630	24,021,669	948,220,174	919,381,945
Work	745,587	832,480	571,422	704,612	1,317,009	1,537,092	955,270	1,020,950	2,272,279	2,558,042
Grand Total	631,696,647	598,863,093	292,734,906	298,034,275	924,431,553	896,897,368	26,060,900	25,042,619	950,492,453	921,939,987

PASSENGER TRAIN CAR MILEAGE

Class of Service	Passenger		Sleeping		Dining		Other		Total Passenger Train Car Mileage	
	1934		1935		1935		1934		1935	
	1935	1934	1935	1934	1935	1934	1935	1934	1935	
Freight Train	2,953,729	2,988,535	136,894	158,718	19,707	24,694	3,430,618	3,704,157	6,540,858	6,876,104
Passenger Train	37,694,328	36,505,183	32,816,432	32,743,492	4,191,080	4,450,206	40,971,761	39,700,444	115,673,601	113,399,325
Mixed Train	5,672,302	5,680,298	789,118	784,753	4,338	1,847	4,038,005	3,922,203	10,533,763	10,389,101
Special Train	87,442	68,749	18,022	17,940	954	113	31,162	11,706	138,180	98,508
Unit Cars and Trailers	2,764,469	2,565,954	68	103	—	70	118,395	112,416	2,882,932	2,678,543
All Transportation Services	49,172,270	47,808,719	33,761,044	33,705,006	4,216,079	4,476,930	48,619,941	47,450,926	135,769,334	133,441,581
Work	28,891	29,820	3,260	1,034	—	30	21,940	28,247	54,081	59,131
Grand Total	49,201,151	47,838,539	33,764,304	33,706,040	4,216,079	4,476,960	48,641,881	47,479,173	135,823,415	133,500,712

EMPLOYEES AND THEIR COMPENSATION

	1935	1934	Increase	% Increase
*Average Number of Employees	75,053	74,774	279	.37
*Total Payroll.....	\$104,861,520.00	\$98,408,102.00	\$6,453,418.00	6.56

DISTRIBUTION OF THE DOLLAR

	Operating Revenue Dollar		Operating Expense Dollar	
	1935	1934	1935	1934
Labour.....	.5590	.5578	.6092	.6054
Fuel.....	.0900	.0892	.0981	.0968
Other Expenses.....	.2687	.2744	.2927	.2978
Total Operating Expenses.....	.9177	.9214	\$1.00	\$1.00
Available for Taxes and other Accounts.....	.0823	.0786		
Total.....	\$1.00	\$1.00	\$1.00	\$1.00
Maintenance of Way Accounts.....	.1987	.2034	.2166	.2208
Maintenance of Equipment Accounts.....	.1986	.1975	.2164	.2144
Traffic Accounts.....	.0274	.0290	.0298	.0315
Transportation Accounts.....	.4454	.4412	.4853	.4789
Miscellaneous Accounts.....	.0059	.0061	.0064	.0066
General Accounts.....	.0441	.0465	.0481	.0504
Transportation for Investment—Cr.....	.0024	.0023	.0026	.0026
Total Operating Expenses.....	.9177	.9214	\$1.00	\$1.00
Available for Taxes and other Accounts.....	.0823	.0786		
Total.....	\$1.00	\$1.00	\$1.00	\$1.00

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

OPERATED MILEAGE, DECEMBER 31, 1935

Territory	*Mileage owned by Constituent Companies				Mileage of Lines under Lease or Contract				Mileage of Trackage Rights				Total Road Mileage				Spurs, Sidings and Yard Tracks Miles
	1st Main Track	2nd Main Track	3rd Main Track	4th Main Track	1st Main Track	2nd Main Track	3rd Main Track	4th & Other Main Track	1st Main Track	2nd Main Track	3rd Main Track	4th & Other Main Track	1st Main Track	2nd Main Track	3rd Main Track	4th & Other Main Track	
Eastern Lines.....	3,241.49	45.85			82.95								3,330.85	45.85			859.26
Central Region (Excl. Lines East of Lewis and Diamond).....	7,147.48	716.03	15.91	9.82	18.20	9.31	2.13	4.10	7,506.79	737.85	18.04	13.92	11,384.79	737.85	18.04	13.92	2,556.20
Western Region.....	10,942.38	104.71			58.76	4.29			11,384.79	134.18				134.18			2,546.98
Grand Trunk Western Lines.....	905.67	363.18	10.54		40.93	0.06	1.36	0.99	1,006.66	369.51	11.90	0.99	1,006.66	369.51	11.90	0.99	811.95
Central Vermont Lines	271.18	0.63			58.79	0.08	32.75		455.15	33.41				33.41			164.85
*Total Mileage.....	22,508.20	1,230.40	26.45	9.82	259.63	13.63	3.49	5.09	23,684.24	1,320.80	29.94	14.91		1,320.80	29.94	14.91	6,939.24
Lines in Canada.....	21,100.34	866.02	15.91	9.82	151.76	12.49	2.13	4.10	21,826.52	910.69	18.04	13.92		910.69	18.04	13.92	5,793.79
Lines in United States	1,407.86	364.38	10.54		107.87	1.14	1.36	0.99	1,857.72	410.11	11.90	0.99		410.11	11.90	0.99	1,145.45

*Separately Operated Lines (Steam & Electric) not included.

