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DEPARTMENT OF TRADE AND COMMERCE
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CANADIAN NATIONAL RAILWAYS
REVENUES, EXPENSES, ETC.

1923 - 1927

In 1918 the Canadian Northern railway system was acquired by the Canadian Government and placed under a new board of directors which Board was also given the management of the Canadian Government railways. In March, 1919, the Minister of Railways and Canals was appointed receiver for the Grand Trunk Pacific Railway and during 1919 an agreement was made for the acquisition of the Grand Trunk railway, the value to be decided by arbitration; the decision was made in July, 1921. All the lines were placed under one management in October, 1922; thus 1923 was the first year the railways were operated as a unified system.

The operating results of the Canadian National railway system and of the four constituent systems prior to amalgamation have been combined in the attached tables to present comparisons of capital liability back to 1919 and of operation to 1923.

The Canadian lines of the Canadian National railways in this report include the Canadian Northern system, the Grand Trunk Railway of Canada, the Grand Trunk Pacific and, to June 30, 1927, the Canadian Government railways, consisting of the Intercolonial, Prince Edward Island, National Transcontinental and several small lines in the eastern provinces and, for the last six months of 1927, that part of the Intercolonial and National Transcontinental west of Levis and Diamond Junction, Quebec. The Eastern Lines for the six months, July-December, 1927, are those parts of the Canadian Government Lines east of Levis and Diamond Junction, and the United States Lines for 1923-1927 include the lines known as the New England Lines, the Grand Trunk Western and the Duluth, Winnipeg and Pacific. The Hudson Bay railway, now being rehabilitated and completed, was excluded in 1926 and deductions made for appropriations and accumulated deficits in the statistics for that year, which slightly affects the comparisons.

THE BOARD OF DIRECTORS
OF THE
ATLANTIC COASTAL RAILROAD
OF THE
UNITED STATES
OF AMERICA

Atlantic Coastal Railroad, Inc.
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The Maritime Freight Rates Act, effective July 1, 1927, ordered that the lines of the Canadian National railways east of Levis and Diamond Junction in Quebec and in New Brunswick, Nova Scotia and Prince Edward Island, designated as the Eastern Lines, reduce the freight rates on local and certain other traffic by 20 per cent, and that the accounts of these lines be kept separate from the accounts of the remainder of the Canadian National system. It also provided that the deficit, if any, should be included in a separate item in the estimates submitted to Parliament. The management of the entire system, however, was not to be affected by the Act, other than the segregation of the accounts. Other railways operating in this eastern territory were allowed to reduce their rates by the same percentage as ordered on the Eastern Lines and authorized to bill the Board of Railway Commissioners for the differences between the normal and the reduced tolls. These differences are in effect bonuses to the shippers in the Maritime Provinces and eastern Quebec. The loss in freight revenues to the Eastern Lines during the six months, July-December, 1927, resulting from these reductions in rates, ordered by the Act, amounted to \$931,810. The deficit of \$3,264,695 therefore contains the bonus of \$931,810. The private railways operating in the eastern territory billed the Board of Railway Commissioners for such losses and included them in their revenues.

Table 1. No interest had been charged on the appropriations for construction and purchase of the Canadian Government railways, nor for advances to meet deficits. With the consolidation of the system, the railways included in their liability the operating deficits of the Canadian Government railways from 1921, but not of the Eastern Lines from July 1, 1927, and also included the entire appropriations charged to the capital accounts of these lines.

To put these increases in capital liability on the same basis when considered as a charge on the Canadian Government from the operation of the railway, the deficits for the Canadian Government railways for 1919 and 1920 and the deficit of the Eastern Lines for the six months, July-December, 1927, have been included.

Table 2. The operating results of the railways, since they were all put under one management, are shown in this table. The results of the Eastern Lines operation for the last six months of 1927 have been shown separately and totals are shown both including and excluding them. The deficits include all interest charges accruing on debentures, etc. held by the public and on advances made by the Dominion Government.

Table 3. This table shows for each year 1919 - 1927 the capital liabilities as set up by the railway system and does not include the operating deficits of the Canadian Government railways for 1919 and 1920 nor the deficit of the Eastern Lines for the last six months of 1927 which were assumed by the Dominion Government.

It includes the cost of construction and purchase of the Canadian Government lines, composed of the Intercolonial, National Transcontinental, etc. but does not include any interest on the capital expenditures nor the deficits of these lines prior to 1921. It also includes all loans and advances to the Canadian National, to the Canadian Northern, Grand Trunk and Grand Trunk Pacific with accrued and unpaid simple interest at rates from $3\frac{1}{2}$ per cent to 6 per cent, which were made to meet (a) interest due to the public, (b) operating deficits, (c) costs of additions and betterments and (d) additional working capital, etc. It also includes the perpetual debenture stock and bonds held by the public, but does not include Canadian Northern or Grand Trunk capital stock as explained by the foot note to the table, nor the cost to the Government of obtaining stock held by it. The stock of the Grand Trunk Pacific is all held by the Canadian National System.

Table 1.

Calendar Year	Interest	Deficits	Increase in Capital Liability	Capital Applied to		
				Operating Interest	Construction etc. X	
				Less Int.		
	1	2	3	4	5	6
	\$	\$	\$	\$	\$	\$
1919	38,196,268	55,358,075	102,149,779	38,196,268	17,161,807	
Deficit of C.G.R.			7,133,296			
			109,283,075			53,925,000
1920	45,402,150	80,478,828	145,644,048	45,402,150	35,076,678	
Deficit of C.G.R.			9,778,070			
			155,422,118			74,943,290
1921	55,442,796	69,866,589	132,921,255	55,442,796	14,423,793	63,054,666
1922	59,565,200	57,960,097	59,327,819	57,960,097		1,367,722
1923	65,199,324	51,697,675	116,033,186	51,697,675		64,335,511
1924	69,632,747	54,860,419	118,899,186	54,860,419		64,038,767
1925	71,888,617	41,444,764	63,630,126	41,444,764		22,185,362
1926	71,287,687	29,701,445	47,855,626	29,701,445		1,630,911
#Less			16,523,270			
1927	72,158,533	34,373,027	88,334,478	34,373,027		53,961,451
Totals	548,773,322	475,740,919	875,183,599	419,078,641	66,662,278	399,442,680
Eastern Lines	392,407	3,264,695	## 3,457,533	392,407	##2,872,288	192,838
TOTALS	549,165,729	479,005,614	##878,640,132	419,471,048	##69,534,566	399,635,518

X Includes net amount charged to investments in new lines and equipment (other than renewals), additions and betterments, discounts on bonds issued, investments in miscellaneous properties, working capital, etc.

Decrease in appropriations for Canadian Government railways due to deductions for Hudson Bay railway, \$15,245,889 (capital \$14,944,870 - deficits \$301,019) and repayments to Dominion Government account of Canadian Government railways.

Includes a loss in revenues of \$931,810 from reductions ordered by the Maritime Freight Rates Act; other railways were reimbursed by the Government for such losses and included these payments with their revenues.

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These data are subject to some slight adjustments on account of the appropriations for the Canadian Government railways for 1919 and 1920 being for the fiscal years ended March 31, 1920 and 1921 respectively.

In computing the public debt of Canada, the Finance Department considers these railway appropriations and advances in the same way as investments in canals, public works, etc., i.e. as "non-active assets" and does not subtract such from the gross debt in computing the net debt; similarly, no interest is charged by the Finance Department on the railway advances, although the railways debit their accounts with the accrued interest.

TABLE 2

CANADIAN NATIONAL RAILWAYS

	: 1923	: 1924	: 1925	: 1926	: 1927
	\$	\$	\$	\$	\$
Railway Operating Revenues-					
Canadian Lines	214,787,207	201,224,493	208,218,921	225,547,852	215,432,357
United States Lines	38,348,281	34,363,689	36,752,282	40,639,974	41,143,367
Total	253,135,488	235,588,182	244,971,203	266,187,826	256,575,724
Eastern Lines (6 months)	--	--	--	--	12,128,570
Total	253,135,488	235,588,182	244,971,203	266,187,826	268,704,294
Railway Operating Expenses-					
Canadian Lines	202,936,659	189,460,404	184,373,201	190,173,271	183,932,853
United States Lines	29,768,180	28,883,527	28,333,587	29,531,362	30,528,894
Total	232,704,839	218,343,931	212,706,788	219,704,633	214,461,747
Eastern Lines (6 months)	--	--	--	--	14,713,852
Total	232,704,839	218,343,931	212,706,788	219,704,633	229,175,599
Net Operating Revenues-					
Canadian Lines	11,850,548	11,764,089	23,845,720	35,374,581	31,499,504
United States Lines	8,580,101	5,480,162	8,418,695	11,108,612	10,614,472
Total	20,430,649	17,244,251	32,264,415	46,483,193	42,113,976
Eastern Lines (6 months)	--	--	--	--	Dr. 2,585,282
Total	20,430,649	17,244,251	32,264,415	46,483,193	39,528,694
Interest-					
Canadian National - On Funded Debt	65,199,324	69,632,747	71,888,617	71,287,687	72,638,923
Eastern Lines " " " (6 months)	--	--	--	--	392,407
Total	65,199,324	69,632,747	71,888,617	71,287,687	73,031,330
Deficit-					
Canadian National	51,697,675	54,860,419	41,444,764	29,701,445	34,373,027
Eastern Lines (6 months)	--	--	--	--	# 3,264,695
Total	51,697,675	54,860,419	41,444,764	29,701,445	# 37,637,722

Includes a loss in revenues of \$931,810 from reduction in rates ordered by the Maritime Freight Rates Act; other railways were reimbursed by the Government for such losses and included these payments with their revenues.

TABLE 3.

(1) CAPITAL LIABILITY OF CANADIAN NATIONAL RAILWAYS

PRINCIPAL

Amount Outstanding December 31						Increase During Year				
Calendar Year	To Dominion Government			To the Public	Grand Total	To Dominion Government			To the Public	Grand Total
	Appropriations for Can. Govt. Railways	Loans and Advances with Accrued Interest	Total			Appropriations for Can. Govt. Railways	Loans and Advances with Accrued Interest	Total		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1919	407,254,699	274,969,881	682,224,580	801,131,444	1,483,356,024	-	-	73,982,301	28,167,478	102,149,779
1920	411,704,909	396,744,482	808,449,391	820,550,681	1,629,000,072	4,450,210	121,774,601	126,224,811	19,419,237	145,644,048
1921	416,295,596	514,796,282	931,091,878	830,829,449	1,761,921,327	4,590,687	118,051,800	122,642,487	10,278,768	132,921,255
1922	415,118,319	601,627,683	1,016,746,002	804,503,144	1,821,249,146	-1,177,277	86,831,401	85,654,124	-26,326,305	59,327,819
1923 (2)	447,643,526	666,539,750	1,114,183,276	823,099,056	1,937,282,332	(2) 32,525,207	64,912,067	97,437,274	18,595,912	116,033,186
1924	451,712,485	690,555,950	1,142,268,435	913,913,083	2,056,181,518	4,068,959	24,016,200	28,085,159	90,814,027	118,899,186
1925	453,935,303	734,547,038	1,188,482,341	931,329,303	2,119,811,644	2,222,818	43,991,088	46,213,906	17,416,220	63,630,126
1926 (3)	437,412,032	788,251,724	1,225,663,756	925,480,244	2,151,144,000	-16,523,271	53,704,686	37,181,415	- 5,849,059	31,332,356
1927 (4)	436,416,387	(5) 821,680,355	1,258,096,742	981,381,736	2,239,478,478	- 995,645	33,428,631	32,432,986	55,901,492	88,334,478

INTEREST

Amount Accruing During Year				Increase During Year		
1919		9,596,581	28,599,687	38,196,268	3,517,851	4,187,566
1920		14,346,832	31,055,318	45,402,150	4,750,251	7,205,882
1921	No	20,966,782	34,476,014	55,442,796	6,619,950	10,040,646
1922	Interest	24,912,876	34,652,324	59,565,200	3,946,094	4,122,404
1923	Charged	30,157,944	35,041,380	65,199,324	5,245,068	5,634,124
1924		31,271,043	38,361,704	69,632,747	1,113,099	4,433,423
1925		31,450,382	40,438,235	71,888,617	179,339	2,255,870
1926		32,090,454	39,197,233	71,287,687	640,072	(6) - 600,930
1927		32,190,649	39,575,476	71,766,125	100,195	478,438

(1) Includes debenture stock of Canadian Northern System, Grand Trunk and Grand Trunk Pacific and cost of constructing Canadian Government railways, but excludes capital stock which on Dec. 31, 1927, amounted to \$270,220,749 of which \$265,628,339 was owned by the Dominion Government and \$4,594,410 was held by others. Does not include deficits of Canadian Government railways for 1919 and 1920 and of the Eastern Lines for July - December, 1927.

(2) Includes operating deficits 1921-1922-1923 and working capital of Canadian Government railways.

(3) Reduced account Hudson Bay railway returned to Canadian Government while under construction and by repayments to Dominion Government account of Canadian Government railways.

(4) Reduction due to revision of appropriations.

(5) Accrued interest included on December 31, 1927, was \$226,142,005.

(6) Interest on 4 per cent Grand Trunk Pacific debentures reduced under agreement with bond holders by \$1,046,378.

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 Chief, Transportation Branch: G.S. Wrong, B.Sc.

ERRATA

In the report on the Canadian National Railways, Revenues, Expenses, etc. 1923 - 1927, the interest for 1927 in table 1 and table 3 should be the same as in table 2. Please correct your copy as follows:

	<u>Reads</u>	<u>Should Read</u>
<u>Table 1, page 4</u>		
Interest, 1927	\$ 72,158,533	\$ 72,638,923
Totals	548,773,322	549,253,712
TOTALS	549,165,729	549,646,119
<u>Table 3, page 6</u>		
Interest due the public-1927	39,575,476	40,448,274
GRAND TOTAL	71,766,125	72,638,923

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