

giving us a surplus of \$1,137,713, which will be absorbed by our equipment renewal account. Our surplus last year was \$1,517,295.

Operating expenses during the year have increased greatly, due to the enhanced cost of coal, increase in wages, increase in cost of material and supplies. On the Intercolonial, operating expenses were unduly heavy during the recent winter, because of extreme weather conditions and the congestion of traffic in Montreal terminals.

Transcontinental Railway.

On the Transcontinental railway we earned \$5,916,550, as compared with \$3,758,337 last year, and the operating expenses were \$7,883,177, as compared with \$4,410,523 for the eleven months of the previous year.

The large deficit on the Transcontinental railway is due to the comparatively small amount of traffic offering for that railway and to the fact that we have been obliged to establish trains not at present warranted by the business offering. In addition, we are maintaining the road to the standard of other transcontinental railways, so that we may offer the same safety and comfort in travel as is offered by other transcontinental lines.

Government Railways System.

The operating expenses of the entire Government Railways system for the twelve months were \$24,645,433 as against \$17,797,061 for the previous year. The earnings for the year were \$23,465,565 as compared with \$18,373,143 for the previous year. The deficit, therefore, on the combined operations for the year amounts to \$1,179,867.

Coal Troubles.

I have already mentioned the reasons given by the management for the great increase in the cost of operation. The item of coal alone was most serious. We contracted for an ample supply, but during the winter the coal miners in eastern Canada claimed to be unable to make delivery, although we offered them more money. Rather than commandeer the output consigned over our lines for commercial and industrial purposes, we had to import large quantities at an increased cost of \$486,240.

Extreme Weather Conditions.

Weather conditions last winter in Quebec and Northern New Brunswick were the most severe in many years. Heavy storms and zero weather prevailed almost continu-

ously from January 20 to February 19, and there were also some bad storms in March. Snow-fighting gangs and snowplough trains had to be continuously employed during this period. Our snow-fighting expense during January and February between Montreal and Moncton was \$169,288, as compared with \$64,757 last year.

The cost of operation was adversely affected also by heavy weather and consequent delays, and on account of Grand Trunk congestion at Montreal. This led to a most unfortunate situation as, under the 99-year joint terminal agreement entered into by the late Government in 1898, we are dependent upon the Grand Trunk for terminal accommodation at that point. This inability of the Grand Trunk to accept business from us resulted in the setting out at one period of about 3,000 west-bound cars, blocking numerous passing tracks, resulting in delay to more than 700 cars of steel urgently required for munitions, and necessitating marshalling westbound trains on our line, work ordinarily done by switch engines in Montreal yards. Overtime in freight service increased \$38,000. These conditions at Montreal obliged us to return 49 locomotives and vans, without loads, from Halifax to Montreal in order to maintain our overseas movement. It will be seen, therefore, that conditions were quite abnormal.

Curtailed Passenger Service.

In common with the other great railway systems in Canada, and after conference with the Chairman of the Dominion Railway Board, we decided, in view of the coal situation and urgent overseas movement, to curtail the Intercolonial passenger service, and several local trains and one of our through express trains were taken off during the winter. This also tended to reduce our revenue, and the curtailed service led to considerable inconvenience; but, with the advent of spring and the opening of navigation and the general easing up of conditions, the passenger service heretofore enjoyed on the Intercolonial railway has been resumed.

Nearly Six Million Passengers Carried Without Fatal Accident.

The total number of passengers carried over the system during the calendar year, January to December, 1916, inclusive, was 5,673,796. Included in this number were militia and naval passengers totalling 277,155, carried in 443 special trains. Although we carried nearly six million passengers