

The situation in 1938 was not peculiar to Canada. In the United States the railroads suffered one of the worst years in the history of transportation. In Great Britain the slump in railway revenues gave much concern to railway management in that country and was the subject of appeal to the British Minister of Transport with particular reference to necessity for equality in competition in the transportation field.

While the decline in business in 1938 was a continuance of the general recession which started in the latter part of 1937, the prospects for 1939 are more favourable since there is indication that the improvement in conditions experienced late in 1938 will continue. The influence of the present improvement in the United States will also be felt by the Canadian National Railways.

#### OBITUARY

Record is made with deep regret of the following deaths during 1938: Hon. C. P. Fullerton, K.C., former Chairman of the Board of Trustees, died October 5, 1938; Mr. D. B. Hanna, first President of the Canadian National Railways, died December 1, 1938.

Acknowledgment is made of the loyal and efficient service rendered by officers and employees and of the patronage extended to the Canadian National Railways by the public during the year 1938.

For the Board of Directors,

S. J. HUNGERFORD,  
Chairman.

The CHAIRMAN: Gentlemen, before proceeding with the discussion of the report the management have a special statement prepared on the Montreal terminal which they want to place on record. I should like to hear that report read before we start the discussion. Mr. Fairweather will present this report.

Mr. S. W. FAIRWEATHER: Mr. Chairman and gentlemen, this memorandum is an elaboration in more detail of the reference to the Montreal terminals which is included in the annual report. It goes into considerable detail, but that detail is necessary for a proper understanding of the situation. I shall read you the statement:—

#### STATEMENT OF CANADIAN NATIONAL POSITION WITH REGARD TO THE MONTREAL TERMINALS

Following upon a careful study of all factors, the Canadian National board of directors decided to resume work on the Montreal project of the railway, but on a substantially modified plan. The study made showed that while passenger operating savings alone would not give an adequate return on the investment immediately, the segregation of the passenger terminals and coach yards made possible future adjustment of separate freight handling facilities which would justify the expenditures involved and to be involved. Added to this were the practical necessity of dealing with an aggravated situation of four passenger terminal stations on one system conducted and operated with little relation to each other, public service and convenience, grade crossing and congestion atrocities, the future of the city, growth of traffic and other important collateral considerations.

As to the necessity of the work being undertaken in the near future there could be no question; and the undertaking of the work at this time made possible a saving in cost of approximately 40 per cent, which is to be defrayed as an unemployment project and not chargeable to the company.