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CANADIAN NATIONAL RAILWAYS IN 1963

The annual report of Canadian National Railways for 1963, which was tabled in the House of Commons on April 7, noted that the company had done more business in 1963 than ever before, its gross sales reaching \$800 million. However, the report went on, while controllable expenses had been held firmly in line, the net income of \$21.2 million had fallen short by \$43 million of meeting the interest charges on outstanding debt.

The report stated that, in many respects, 1963 had been an "exceptional" year. A buoyant economy, coupled with an unusually high demand for transportation services, had resulted in the second highest volume of revenue ton miles in CN's history, slightly behind that for 1956. The 1963 traffic, however, was handled with 13,000 fewer pieces of freight equipment than were required in 1956, mainly because of improved techniques for car use and distribution. While the freight work-load increased 10.3 per cent over 1962, railway-operating expenses rose only by 1.8 per cent.

The report regarded these accomplishments as significant indicators of improved sales effort and operating efficiency but noted that they were not apparent in the "on-paper" financial result.

DEBT CHARGES

Referring to the interest charges on debt, the report said that "most of this debt can be identified as a legacy from the past through a deficiency in depreciation practices which restricted the Company's ability to finance capital expenditures from internal

sources". It said the basic principle of the capital-revision proposals Canadian National had made to the Government "is that the Railway be relieved of the crushing burden of debt charges which make the annual profit and loss account such an inaccurate reflection of management and employee efficiency. Canadian National is a valuable national asset and occupies a prime and unique role in the life of Canada. Its objective of providing an efficient and economic transportation system can be fulfilled more satisfactorily if the accounts are placed on a basis that will reflect the true story of current operations, so that the annual results do not need qualification and explanation in respect of the past".

REVENUES FROM ALL SOURCES

The report said that net railway-operating income of \$5 million, together with net income from hotels, telecommunications and separately-operated trucking companies, had produced a net income of \$21.2 million. The result was an improvement of \$5.9 million over the 1962 figure, and an improvement of \$5.3 million over that forecast in the system operating budget.

Railway-operating revenues were up \$23.6 million, to \$725.2 million, while railway-operating expenses were \$12.8 million higher than in 1962, mainly as the result of increased wage, pension and depreciation charges, higher taxes and material prices.

Revenues from freight services totalled \$573.5 million over those of the year before, owing mainly to new movements of potash, export grain shipments and increased movement of automobiles and parts.

(Over)