

Employee Compensation

23. Increased compensation on both Canadian and American lines of the System resulted in an increase of \$33.9 million in operating expenses during 1951. The major change was an increase of 20% in the *hourly* wage rates of non-operating employees, consequent upon the introduction, on June 1, of a 5-day 40-hour week with maintenance of take-home pay. This was part of the final settlement determined by the award of Mr. Justice R. L. Kellock in the dispute with non-operating employees, as described in the annual report for 1950.

24. Increased compensation was also provided for in wage settlements reached during March with operating employees on steam lines in Canada, and with non-operating employees on System lines in the United States. Other agreements were negotiated during the year with various smaller groups of employees.

Prices

25. The prices of all railway materials, as measured by a composite index based on 1936-38=100, rose by 9.7% during 1951, bringing the index to 220.5.

26. It is estimated that price increases added \$12.3 million to operating expenses during the year. Had year-end prices been in effect throughout 1951 this sum would have been increased by approximately \$5,000,000.

OTHER INCOME ACCOUNTS

27. The net debit arising from this group of accounts was reduced by \$4.5 million. Part of the reduction was accounted for by the payment in 1950 of a premium amounting to \$958,000 on bonds called for redemption, for which there was no corresponding expense in 1951.

28. Amounts totalling \$2,488,000, credited to income account, were derived from the sale of land to Abitibi Power and Paper Company, and the sale of the Rail and River Coal Company property, as described under "Property Investment Account".

29. As a result of the appreciation of the Canadian dollar during the year the cost of exchange on the purchase of United States funds was \$612,000 lower than in 1950.

Hotel Operations

30. New peaks in both the gross revenues and operating expenses of nine Canadian National hotels and three summer resorts were recorded during the year. Net operating income was \$588,485 compared to \$565,853 in 1950.

31. Gross revenues, amounting to \$9,249,902, showed an increase of 5 per cent attributable to increases in room rates and meal prices at the nine year-round hotels, and to a modest increase in patronage of summer resorts. The number of guests accommodated at year-round hotels declined slightly to 667,943.

32. Operating expenses increased by 5 per cent to \$8,661,417 due to charges for further replacements and retirements of facilities, higher prices for materials and supplies, and the cost over a full year of the 4c wage award to hotel employees on August 31st, 1950.

Property Investment Account

33. As shown on page 32, expenditures on additions and betterments, less the book value of property retired, amounted to \$85,778,826, of which \$57,183,076 represented net expenditures on equipment.