

Interest Charges

The total requirements for interest on funded debt held by the public in 1938 were \$49,839,023, as compared with \$48,888,546 for 1937, an increase of \$950,477.

Interest payments to the Government on temporary loans for capital purposes amounted to \$926,125, as compared with \$1,744,551 for 1937, a decrease of \$818,426.

The changes reflect the financing during the year which had for its object the refunding by public issues of Government temporary loans for capital purposes.

Cash Deficit

The net operating revenue for the year 1938 was \$6,066,411, a decrease of \$11,541,339 from the preceding year. After payment of all other charges, excepting charges to Proprietor's Equity under the provisions of The Canadian National Railways Capital Revision Act, 1937, as outlined on page 12, there was a deficit of \$54,314,196 as compared with \$42,345,868 in 1937.

CAPITAL EXPENDITURE ACCOUNT

The net expenditures on property investment account for the year 1938 amounted to \$10,798,792 made up as follows:

Rolling stock purchased or built	\$11,233,216
Betterments to freight and passenger equipment.	837,062
Air-conditioning passenger cars.	761,659
Senneterre-Rouyn branch line	2,064,924
Vancouver hotel	963,149
General additions and betterments, less retirements	2,734,764
Equipment retirements—Credit	7,795,982
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	\$10,798,792

The Senneterre-Rouyn branch line authorized by chapter 26, 1936 was formally opened for operation on December 3, 1938. It is anticipated that the opening of direct railway transportation to this rich mineralized section will be an important factor in further development of the area. As shown above \$2,064,924 was spent during the year, the total cost to December 31, 1938, being \$5,315,134.

The following rolling stock was purchased or built during the year: 8 locomotives; 2,310 box cars; 25 coal cars; 61 baggage cars; 6 dining cars; 5 mail and express cars; 1 buffet sleeping car; 26 snow ploughs; and 11 miscellaneous work units.

The following units of rolling stock were retired during the year: 50 locomotives; 5,383 freight train cars; 8 passenger train cars; and 300 work units. The cost of this equipment, less salvage (and less depreciation on units owned by United States Lines) was charged to operating expenses.

During the year 1938, 148 additional air-conditioned units were placed in service, the total number of such units at December 31, 1938, being 401. The program for the year 1939 provides for an additional 92 units. Air-conditioned cars operated by the Pullman Company over Canadian National lines number 52.

FINANCE

Retirement of Obligations

Expenditures for the retirement of capital obligations, including sinking fund and equipment principal payments, amounted to \$9,035,275, which was financed from temporary loans from the Government.