

Express

14. Revenues earned by the Express Department totalled \$42.4 million, up \$4.4 million from 1955. The increase of 11.7% arose from higher unit charges and an improvement in the composition of traffic which more than offset a decline in the number of shipments.

Communications

15. The volume of communications business continued to grow in 1956 with the result that revenues earned by Canadian National Telegraphs reached a new high of \$19.9 million, an increase of 7.5% over 1955. The number of revenue messages handled rose by 2.7% to 12.9 million. This increase, combined with an upward adjustment in Canada-U.S. rates that came into effect on September 24, produced a 5.2% rise in message revenue. Non-transmission revenues were up almost 12% on the strength of the continued expansion of private wire, radio-TV and related services.

OPERATING EXPENSES

16. In spite of economies realized through improved operating performance, operating expenses reached a record level of \$703.3 million in 1956, up 10.8% from the comparable 1955 figure. More than half of this increase was the result of higher wage rates and material prices; the balance is attributable to the expanded volume of business handled.

17. Payrolls are the largest element of expense in railway operation; in 1956 they reached a new peak of \$423.6 million and accounted for 60.2% of total operating expenditures.

18. In May, a two-year agreement based on the report of a Conciliation Board was signed with 15 unions representing non-operating employees. The contracts, which became effective on April 1, provided for an increase of 11% in basic wage rates to take effect in four stages, two additional paid holidays for hourly rated employees, and a health and welfare plan to which railways and employees would each contribute \$4.25 per employee monthly. Of the wage increase, 3% was retroactive to January 1, 1956; this was increased to 6% on April 1, and to 8% on November 1. The final instalment will bring it to 11% on June 1, 1957.

19. The health and welfare plan, developed by a joint union-management committee, was brought into effect on January 1, 1957. A similar plan was also established on the same date, on a voluntary basis, for Canadian National employees in Canada who are not covered by wage agreements and an extension to supervisory officers is under study.

20. Two-year agreements were made with the Brotherhood of Locomotive Firemen and Enginemen, and the Brotherhood of Locomotive Engineers, dating from April 1 and May 1 respectively. These agreements provided for wage increases of 11% spread over two years, and for the payment by the company of \$4.25 a month to each employee, beginning January 1, 1957, in lieu of a health and welfare plan. Another agreement, based on the report of a Conciliation Board, was signed with the Brotherhood of Railroad Trainmen, for a period of 26 months dating from April 1, 1956.

21. The foregoing settlements when they are fully in force will add an estimated \$40 million annually to operating expenses.