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GOOD YEAR FOR CANADIAN NATIONAL

The following is part of a year-end review of the activities during 1966 of the Canadian National Railways by Mr. Donald Gordon, Chairman and President:

Canadian National's sales and operating performance during 1966 vividly demonstrated the company's success in attracting a record volume of business and handling it at unprecedented levels of efficiency.

Revenue increases were recorded in all services and, despite the effects of a nine-day strike and mounting labour, material and other costs, there was an overall improvement in CN's financial outcome for the sixth straight year.

Revenues from freight services increased by almost 7 per cent, reflecting a favourable economic environment together with growing customer response to CN's aggressive marketing techniques. Passenger services revenues jumped a remarkable 18 per cent, CN telecommunications revenues moved ahead about 10 per cent and CN operated hotels saw an increase of 7 per cent.

Expenses rose about 7 per cent, and among the contributing factors were costs resulting from a greater workload, higher wage costs, extensive equipment renovations, higher taxes and increased pension costs.

DEFICIT MISLEADING

In 1966, CN will show an operating profit, which will mean an encouraging reduction in the overall deficit. The overall deficit continues to obscure the system's actual performance, because it arises from heavy interest charges on an unrealistic debt structure. CN proposals for a revision of its capital structure have been before the Government for a

number of years and action has been forecast in several speeches from the Throne.

Canadian National strides into Canada's centennial year with a spirit of optimism for a continuation, if not an acceleration, of the rate of progress it has been making in the past number of years. This is particularly so in view of the transportation legislation now before the House of Commons, which enunciates a national transportation policy having as its objective an economic and efficient transportation system making the best use of all modes of transport in a competitive environment.

While the legislation is not likely to provide any immediate financial benefits to the railways, it will, when enacted, remove out-moded restrictions and regulations which have hampered them in the past and place upon them the responsibility of paying their way in a highly competitive situation.

CN stands ready to shape itself into a self-supporting part of such a national system.

The adjustment will not be accomplished immediately, but will take place over a period of time. Meanwhile, CN management has a stern, yet exciting challenge in the coming year to expand sales and further hone the efficiency and productivity of the system.

LABOUR PROBLEMS

This challenge is especially important in view of the substantial increase in wages and other benefits that have been extended to employees as a result of new contracts worked out with employees in the non-operating and operating groups.

CN, along with other Canadian railways, was shut down for nine days in late summer by a strike. The final three-year settlement, which was before