

Question 6: A newspaper article lately made this claim: "General expenses on the C.N.R. on a mileage basis are double the C.P.R. Does this difference exist—if so, why?"

Answer: General expenses expressed in dollars per mile of road operated on the Canadian National and Canadian Pacific Systems as defined in the answer to question 1 for the years 1923-33 inclusive are as follows:—

Year	C.N.R.	C.P.R.
1923..	\$372	\$254
1924..	354	245
1925..	331	241
1926..	346	239
1927..	361	253
1928..	366	256
1929..	368	252
1930..	392	246
1931..	380	233
1932..	343	193
1933..	319	175

Question: Are the accounts of general expenses on a comparable basis on the two roads?

Answer: No.

Question: Are pensions treated in the same way in this account in both roads?

Answer: No. In the case of the Canadian National, pensions are charged to general expenses; in the case of the Canadian Pacific prior to 1934 pensions were a deduction from surplus.

Question: Is there any difference in accounting methods *re* taxes?

Answer: So far as is known to the Canadian National there is no difference in the accounting method regarding taxes in the reports made by the respective systems to the Dominion Bureau of Statistics. In the Canadian Pacific annual report to the shareholders, railway tax accruals are shown as part of working expenses.

General Remarks:—

A comparison of the operating ratios of two railway systems implies that the operating and traffic characteristics of the two systems are comparable. The known differences in accounting methods which would affect the operating ratio are as follows:—

- (a) The Canadian National includes gross express and telegraph revenue in revenue account; the Canadian Pacific excludes commercial telegraph revenue and carries "express privileges" in revenue account.
- (b) The Canadian National includes all telegraph expenses and express department expenses in operating expenses; the Canadian Pacific excludes a portion of telegraph expenses and all express department expenses from expense accounts.
- (c) The Canadian National includes colonization and agriculture department expenses as an expense item; the Canadian Pacific does not.
- (d) The Canadian National includes pension costs as an operating expense; the Canadian Pacific prior to 1934 did not.

The net effect on the operating ratio of these differences in accounting methods, varies from year to year. For 1933 these items explain 1.33 points in the spread of the operating ratios of the two systems.

Other special considerations may affect particular years, thus the Canadian National expenses in 1932 were lessened by the receipt of 2,000,000 ties