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ANNUAL REPORT OF CN RAILWAYS

Canadian National Railways did more business than ever in 1967, its gross revenues topping the $1-billion mark, according to the company's annual report, which was tabled in the House of Commons recently.

While revenue increases were recorded in all services, they were not sufficient to overcome the combined effects of rising expenses and a slowdown in the economy. As a result, for the first time in six years, the railway did not show an improvement in its end financial result.

Canadian National's gross revenues were $1 billion 49.9 million, up $51.3 million over 1966, while railway operating revenues rose by $39.1 million to $945.2 million – an increase of 4.3 per cent. Revenues from other services, such as telecommunications, hotels and separately-operated trucking companies, were $104.7 million, up from $92.5 million in 1966.

Railway operating expenses were $942.4 million, higher by $60.5 million, or six per cent, over 1966. The 1967 increase in expenses includes $42.8 million for additional wage costs and $3.3 million for increased pension benefits.

The report says that depreciation amounted to $111.2 million in 1967, up by $3.7 million over 1966 owing to increased investment in depreciable property.

CN's 1967 net income – after depreciation but before interest – amounted to $29.2 million, down $10.9 million from the previous year. Interest on debt was $65.1 million, producing a deficit of $35.9 million compared to $24.6 million in 1966.

DEFICIT DUE TO ECONOMIC SLOWDOWN

Regarding the deficit, the report states that the growth-rate of the economy in 1967 was about 2.5 per cent, compared to an average of more than six per cent for the period 1961-66. It says that this economic slowdown, coupled with the effects of higher labour costs and higher prices for materials, equipment and services, is reflected in the worsening of the deficit position.

The report notes, however, that the financial setback of 1967 may be regarded as a temporary one: "The main economic problems of 1967 were essentially problems of transition – arising from the adjustments required in moving from the exceptionally steep rate of growth of the previous five years to a better balanced and more sustained rate of growth."

The company, the report says, made significant use of advanced technology and modern marketing methods in 1967 and faces the future well aware of the economies, efficiencies and service improvements that can be obtained from the effective use of these tools.

Important clauses in the labour agreements reached during the year reflected the concern felt by management and unions about the impact of technological change on employees.

The report says that the aim of CN is "to find a solution to the problems posed by changes of this nature which meets both the needs of the company and the needs of the employees concerned". "Towards this end," it adds, "appropriate clauses in the wage agreements have been worked out with the unions."