

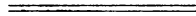
THIRD ANNUAL REPORT

of the

BOARD OF DIRECTORS

of

The Canadian Northern Railway System



For the Year ended 30th June, 1917.

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CANADIAN NORTHERN RAILWAY SYSTEM

BOARD OF DIRECTORS

SIR WILLIAM MACKENZIE	Toronto, Ont.
SIR DONALD MANN.....	" "
MR. Z. A. LASH, K.C., LL.D.....	" "
HON. FREDERIC NICHOLLS.....	" "
MR. R. M. HORNE-PAYNE.....	London, Eng.
MR. R. J. MACKENZIE.....	Toronto, Ont.
MR. E. R. WOOD.....	" "
MR. D. B. HANNA.....	" "
MR. W. K. GEORGE.....	" "
MR. W. J. CHRISTIE.....	Winnipeg, Man.
HON. H. W. RICHARDSON.....	Kingston, Ont.

GENERAL OFFICERS

SIR WILLIAM MACKENZIE.....	<i>President</i>
SIR DONALD MANN	<i>Vice-President</i>
MR. D. B. HANNA.....	<i>Third Vice-President</i>
MR. Z. A. LASH, K.C., LL.D.....	<i>Senior Counsel</i>
HON. F. H. PHIPPEN, K.C.....	<i>General Counsel</i>
MR. M. H. MACLEOD.....	<i>Gen'l Mgr., Western Lines</i>
MR. S. J. HUNGERFORD.....	<i>Gen'l Mgr., Eastern Lines</i>
MR. W. H. MOORE.....	<i>Secretary</i>
MR. GERARD RUEL.....	<i>Chief Solicitor</i>
MR. GEO. H. SHAW.....	<i>General Traffic Manager</i>
MR. L. W. MITCHELL.....	<i>Treasurer</i>
MR. LEWIS LUKES.....	<i>Assistant to President</i>
MR. A. J. MITCHELL.....	<i>Assistant to Vice-President</i>
MR. R. C. VAUGHAN.....	<i>Assistant to Third Vice-President</i>
MR. A. J. HILLS.....	<i>Assistant to Executive</i>
MR. R. P. ORMSBY.....	<i>Assistant Secretary</i>
MR. C. E. FRIEND.....	<i>General Auditor</i>
MR. J. D. MORTON.....	<i>Assistant Comptroller</i>
MR. T. J. MACABE.....	<i>Registrar</i>
MR. J. R. CAMERON.....	<i>Assistant General Manager</i>
MR. D. R. CAMPBELL.....	<i>Assistant General Manager</i>
MR. A. E. WARREN.....	<i>Assistant to General Manager</i>
MR. A. E. WILCOX.....	<i>General Superintendent</i>
MR. W. A. BROWN.....	<i>General Superintendent</i>
MR. W. A. KINGSLAND.....	<i>General Superintendent</i>
MR. D. CROMBIE.....	<i>General Superintendent</i>
MR. J. BAIN.....	<i>General Superintendent</i>
MR. E. F. SEIXAS.....	<i>Manager, Electric Lines, etc.</i>

LONDON (ENGLAND) OFFICES

ORIENT HOUSE, NEW BROAD STREET, LONDON, E.C. 2.	
MR. R. M. HORNE-PAYNE.....	<i>Director representing the Company in Europe</i>
MR. H. W. HARDING.....	<i>Local Secretary</i>

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CANADIAN NORTHERN RAILWAY SYSTEM

THIRD ANNUAL REPORT

To the Shareholders:—

The Board of Directors herewith submit their report for the year ended June 30th, 1917.

The results of the operations of the System for the year are as follows:—

Gross Earnings—

From Passenger Traffic	\$ 7,611,807.94
From Freight Traffic	32,188,799.93
From Express, Mail, Telegraph, Interest and Profits from Elevators and other Subsidiary Companies, Investments, etc.	3,694,468.69
	<hr/>
	\$43,495,076.56

Working Expenses (including Taxes, etc.)..

 31,349,408.18

Net Earnings

\$12,145,668.38

Deduct—

Interest Charges

14,607,805.35

Net Deficit

\$2,462,136.97

Miles In Operation: The average mileage operated throughout the year was 9,396 miles as compared with 8,048 miles for the previous year; the total mileage in operation at the close of the fiscal year being 9,433.4 miles, an increase of 137.4 miles over the mileage in operation at June 30th, 1916.

Earnings: The gross earnings amount to \$43,495,076.56, an increase of \$8,018,801.50, or 22.6 per cent., and the gross earnings per mile of line operated are \$4,629.11 compared with \$4,408.08 the previous year.

Net earnings show an increase of \$2,772,137.84, or

29.57 per cent., and net earnings per mile of line operated are \$1,292.64, compared with \$1,164.70 the previous year.

Traffic:

The statement of freight carried shows, with one exception, an increase in the tonnage of all commodities handled. Revenue tonnage increased by 8.151%—the average haul increased by 30.93 miles. Grain is the only commodity which shows a decrease, viz., 1,258,048 bushels less than last year. This is not due to any competitive loss, but from a decrease in total yield as foreshadowed in last year's report. As the increase in grain handled in 1916 over 1915 was 125.31%, and as the increase of 1917 over 1915 is 123.2%, and as the total tonnage of grain and flour handled in the year is greater, no anxiety is felt by your Directors on this feature, especially when the increases in all other commodities are considered. The advantage of a diversified distribution of traffic is shown by the slight increase in the ton mile rate, which advanced from .675 in 1916 to .683 in 1917, computed on the basis referred to on page 12.

It is worthy of note that not since 1912 has the annual commodity statement shown so many cars of immigrants' effects handled as appeared for the fiscal year under review.

European immigration is for the present discontinued and these figures represent the movement of settlers—from Eastern Provinces to some extent, but more largely from the United States—of the most valuable type from a traffic producing point of view, as home-seekers from these fields invariably bring to the country a large equipment, enabling them to become shippers in a comparatively short time.

Coal traffic from the Drumheller District in Alberta is showing a very satisfactory development, the returns for the last six months of the calendar year showing an increase in tonnage of 139%, the total for the six months of 1917 being 329,552 tons, compared with 137,997 tons for the same period of 1916. The coal from this section is being used in a rapidly widening field with correspondingly increasing revenue for your System.

The territories served by your Western lines continue to show most promising progress in the production of live stock, including hogs and sheep. This is reflected by the substantial increases in the number of head of cattle brought over your lines to the Winnipeg market. For twelve months of the last calendar year the returns of the Winnipeg market show that the Canadian Northern brought in to that market a very large proportion of the total receipts, namely:—of cattle 42.6%, of hogs 33.4%, and of sheep 36.3%. In the same period the number of head of cattle brought into the

Winnipeg Market by the Canadian Northern Railway increased from 63,004 to 120,345 or 91.01%.

The fact that mixed farming is being more and more actively engaged in by farmers along your lines in the West, (concurrently with the extension of grain growing areas) is a source of satisfaction to your Directors due to the more permanent nature of such operations. Evidence of this is also seen in the shipment of butter and eggs from the Prairie Provinces to Eastern Canada. In former years there was a substantial movement of these commodities from the East to the far West. The following figures for Manitoba indicate the changing situation:—

Output of creamery butter increased by 951,846 pounds, the total for the year being 7,500,000 pounds. There were exported 90 carloads, or 2,000,000 pounds, whereas in 1912 Manitoba imported 55 carloads of butter for local use.

Cheese production increased by 213,159 pounds, the total for the year being 1,093,887 pounds.

The increase in dairy production in Manitoba, while general, is most notable between Lakes Winnipeg and Manitoba in the territory served by your lines, from which section also the System obtains a very large and rapidly growing milk traffic.

The position with reference to passenger business shows steady progress. While incomplete terminals at Montreal and Vancouver have prevented the inauguration of the main transcontinental services, the Toronto-Vancouver tri-weekly trains in each direction continue to show satisfactory results. The increase in passenger train earnings (of steam operated lines) over last year's figures was 25.52%, and in the number of passengers carried the increase was 15.12%. With the completion of the terminals already referred to and the establishment of a daily service from Coast to Coast, your Directors have every reason to expect a very substantial and profitable addition to the passenger revenue.

Expenses: The working expenses were 74.77% of the gross earnings of the System proper, and including taxes 72.08% of the gross earnings from all sources, compared with 74.73% and 73.58% respectively last year.

The fiscal year under review was a very trying one to railway officials generally, due to the many conditions which combined to increase the working expenses of the railway.

Early in the fiscal year the coal situation caused your operating officers the greatest concern. In Alberta the coal miners went on strike for three of the best production months, greatly reducing the available supply. Strikes and suspension of work by the coal miners in the Pennsylvania and other fields on which Canadian railways depend for their supply from Quebec to the Midwest greatly limited the output. Many munition plants had increased their operations during the year, and were making additional demands for steam coal. The transfer of lake tonnage to the Atlantic affected the amount of coal regularly obtainable from lake ports, and it was only by the most energetic measures that a supply could be obtained. Under such conditions the price of fuel coal soared upwards—not only was the initial cost increased, but all other costs, such as lake freights, cost of handling, etc., also went up, and, due to the dislocation of the supply, large expense was incurred in abnormal rail movements over the System's lines. Your Company was fortunate in having unfilled contracts for coal, under which practically all their requirements were obtained, and for this reason did not have to pay the largely increased prices which were put into effect early in the calendar year. Beginning with July 1st, 1917, net operating figures have been seriously disturbed on this account—not due alone to the much higher price now being paid for fuel coal, but also due to the falling off in the quality of coal obtainable. The prospect for immediate improvement in this respect is not reassuring.

All other materials have been similarly affected. The cost of the principal supplies in use by the railway has increased from 50% to over 100%.

A few actual increases are as follows:—

Commodity.	Price in 1916.	Price in 1917.	% Inc.
Coal, per ton	\$ 3.56	\$ 5.70	60.11
Steel Rail, per ton	35.00	60.00	71.43
Track Spikes, per cwt....	2.50	4.50	80.00
Angle Bars, per cwt.....	1.65	3.50	112.12
Brass Castings	25.50	39.15	53.53
Iron and Soft Steel Bars	2.20	3.77	71.14
Steel and Iron Sheets....	2.30	3.50	52.17

Lumber and timber increased 25% and all rubber supplies about 70%. Not only were prices high, but it was in many cases often impossible to obtain the required materials at any price. Since the close of the fiscal year, the above prices have shown further increases.

The cost of living also increased. This was seized upon by every class of labour employed by the Railway as a

ground on which to make demands for increased wages. On the top of this there developed a great shortage of unskilled labour, which was particularly felt in the maintenance of way department.

Under such conditions it is remarkable that operating expenses only increased by \$5,246,663.66, or 20.10%. But, in order that there may be no misunderstanding about the matter, it is stated that due to the shortage of labour, work considered necessary and desirable could not be undertaken, and must therefore only be considered as deferred, and this situation is aggravated to the extent that from the expenditure incurred for labour due to these conditions, less value is obtained for every dollar paid out. The operating ratio, in the face of these abnormal conditions, was maintained at the same percentage as last year. Only by the exercise of the strictest supervision of operating expenses and application of the most efficient methods by our operating officials, was this made possible.

Land Sales: Land sales during the year were 17,654 acres for \$314,720.02, an average of \$17.82 per acre, compared with an average of \$16.37 for the preceding year. During the same period sales aggregating 16,227 acres previously entered into were by mutual agreement cancelled, so that the acreage of land available for sale has been decreased by 1,427 acres, leaving a total of 841,700 acres unsold.

Car Trusts: Car Trust obligations were created to the extent of \$1,250,000.00 for the purchase of cars of different kinds. During the year \$3,266,000.00 was repaid in respect of previous obligations, thus making a net decrease on this account for the year of \$2,016,000.00.

Application for Increased Rates: During the year an application was made to the Board of Railway Commissioners for Canada by the principal Canadian Railway Companies for authority to increase their freight and passenger rates as a necessary measure to offset rapidly increasing wage bills and cost of materials of all kinds.

The specific increases asked for were:—

Increase of 15 cents per ton on all commercial coal rates.

15% increase on all other freight rates.

15% increase on passenger fares.

On December 26th, 1917, the Board of Railway Commissioners for Canada issued an order allowing increases referred to below, but, owing to opposition from various

interests, the matter was delayed pending appeal to the Governor-in-Council. As later ordered by the Board, the increased rates were to take effect from the 1st of February except that increased rates on wheat were deferred until June 1st, 1918. On March 15th the Governor-in-Council issued an order confirming the order of the Board but limiting its effect to one year after the war.

The increases allowed are estimated to amount to approximately 7% on the System's passenger revenue, and to 10% on the System's Freight revenue proper, that is, exclusive of earnings from services supplementary to and grouped in this report as earnings from Passenger and Freight Traffic. On these supplementary service earnings no increases apply; therefore, on a full year's operations the total additional revenue from the increases in rates is estimated to be about nine per cent. on the System's total earnings from Passenger and Freight Traffic.

Due to the date on which the increased rates take effect, very little benefit will be obtained therefrom during the present fiscal year. The operating results of Canadian Railways since July 1917, show that the slightly higher rates now authorized, will not offset the increases in the railway's operating expenses which have taken place, and which continue to occur month by month. If these increased rates had been put into effect earlier, they would have been particularly valuable as partly offsetting the abnormal weather conditions which have prevailed on this continent during the winter months and which have been the worst in the history of the Company.

Report of Messrs. Loomis and Platten: Early in the year 1916 your Directors had negotiations with a strong financial group, having in view the financing of the Company's securities, and the providing of additional funds to complete its construction and betterment programme. As a preliminary to the carrying out of the negotiations, the representatives of the group agreed with the Company to ask Mr. Edward E. Loomis, President of the Lehigh Valley Railroad Company, New York, and Mr. John W. Platten, President, United States Mortgage and Trust Company, to report on the general undertaking of the System. It was recognized by everyone that a report by men of such personal stability, and of the highest standing in railway and financial circles, would be accepted as evidence, beyond question, with respect to the System's undertaking. Messrs. Loomis and Platten undertook this commission, and employed as consulting engineers the well-known New York firm of Messrs. Coverdale & Colpitts. An inspection from Coast to Coast was made by Messrs. Loomis and Platten, and Mr.

W. H. Coverdale, Consulting Engineer, accompanied by officers of the Company. For the best part of a year detailed examinations were made, not only into the physical properties of the System, but also into the general conditions in Canada as affecting railway matters, especially those relating to traffic development in and adjacent to the territory served by your Company's lines.

The report which was received in March 1917 is most exhaustive and illuminating, and goes extensively into every department of railroad construction and operation. It is impossible to make more than the briefest references to the report here, but the following quotation from the introductory statement will be of interest as showing its general tenor:—

“Insofar as the physical property is concerned there can be no question as to the ability of the Canadian Northern to meet competition, as the railway is well located and well built; its transcontinental main line grades over practically its entire route are the most favourable in existence; and under a normally developed traffic density the railway should operate at a ratio previously unknown, and at enormous profit.”

These remarks, occurring as they do in a summary of the whole situation, afforded considerable satisfaction to your Directors, as it is a clear endorsement by unquestionably high financial experts, of the deliberate policy of your Directors during the twenty odd years which have elapsed since the inception of the Canadian Northern Railway lines.

Reference was made in last year's report to the advantage to be obtained from the construction of a line from Toronto to the Niagara Frontier. The opinion which your Directors have held for some years past that this line is a necessary complement to the Canadian Northern System, is very strikingly confirmed by the report made by Messrs. Loomis and Platten, who, in dealing with this subject, refer to the matter in the following terms:—

“The existing inadequate transportation service via the frontier lines is detrimental to Canada. The Niagara line is therefore greatly needed for the further development of the Dominion facilities as a whole, as well as to connect the Canadian Northern main line with the City of Hamilton, with its St. Catharines line,

with United States railroads, and with the intermediate manufacturing districts.

“The construction of this line should produce profitable returns from both freight and passenger traffic, because it will afford favourable facilities for Canadian interchange not now enjoyed by certain important United States railroads.”

Purchase of Capital Stock by Government: Under an Act of Parliament of Canada passed at its last Session, authority was given to the Government of Canada to acquire all the capital stock of the Company upon certain terms, with which you, as shareholders, will be fully familiar. Provisions are also embodied in the Act authorizing the Government to assist the Company in respect of its financial obligations.

The action which the Government is taking under the above legislation will preserve the corporate existence of the parent, constituent, and subsidiary companies, and the rights of the security holders will not be changed.

Operating Statistics: Your attention is drawn to the form in which the statistical information is shown in this report. A three-year comparison table is given, and in the general statistics relating to Passenger Traffic, Freight Traffic, Train Mileage and Expenses per Traffic Train Mile, the operations of the Niagara, St. Catharines & Toronto Railway are not included but are shown separately.

This is better for comparative purposes and your Directors feel that the progress made as shown by these statistics indicates the benefits to be expected in future years by the continued operation of your lines as a transcontinental system.

General: The Company's colonization work in Northern Ontario made considerable progress during the fiscal year. The making of railway ties for the System's use is one of the activities from which a substantial benefit will be derived.

Notwithstanding the abnormal cost of work of all kinds, your Directors have continued the construction work on the Montreal and Vancouver terminals. The scarcity of labour and materials has considerably delayed completion of the works, but it is confidently expected that facilities at both these points will be completed and ready for service before the end of the year.

In line with the changes made by other Railway Com-

panies, the fiscal year of the Company has been changed to run concurrently with the calendar year instead of ending at June 30th.

Your Directors are pleased to embody in this report reference to the fine spirit shown by officials and employees in loyally supporting the recent Victory Loan.

During the year the ranks of the System's employees have been further depleted by a large number of voluntary enlistments, making a very large number of employees in the service of the Empire for the great cause.

The Directors feel that they have special cause to acknowledge the faithful efficient services of officials and employees, to whom thanks are hereby accorded.



W. Mackenzie
President

CONDENSED GENERAL

At 30th

ASSETS

PROPERTY INVESTMENT—Railway and Equipment at Cost to the System, including discount on Securities of Constituent and Subsidiary Companies and Acquired Securities per Statement on pages Nos. 18 and 19	\$506,960,975.01
OTHER INVESTMENTS (At Cost)	2,753,780.19
NATIONAL TRUST COMPANY CERTIFICATES— Re Land Grant Bonds, Issue 1899. These Securities held as Collateral to Loans	1,657,500.00
TERMINAL AND OTHER PROPERTIES.....	6,102,379.67
LAND ASSETS—	
Deferred Payments and Accrued Interest on Sales	\$ 6,728,160.49
Cash with National Trust Company Account of Land Sales	2,320,274.39
Lands Unsold	19,914,060.00
	28,962,494.88
CURRENT ASSETS—	
Cash held on account of—	
Dominion Government	2,470,049.27
Province of Manitoba	45,920.63
Province of Saskatchewan	1,202,825.24
Province of Alberta	2,691,130.52
Province of Ontario	419,803.94
Province of British Columbia	4,404,501.23
Central Trust Company of New York....	141,308.13
National Trust Company	489,333.42
British Empire Trust Company, Trustees Account	1,696,152.69
Sinking Funds	76,765.07
	13,637,789.54
Value of Material and Supplies on hand (Book figures)	3,694,856.81
Due from Agents, Station Balances, etc....	2,008,428.00
Miscellaneous Accounts Receivable.....	7,090,284.44
British Admiralty	664,070.84
Cash on Hand	2,990,294.46
	30,085,724.09
INSURANCE PAID IN ADVANCE.....	415,121.19
ADVANCES BY THE CANADIAN NORTHERN RAILWAY COMPANY TO AFFILIATED COMPANIES	9,320,714.15
DEFERRED CHARGES—UNADJUSTED DEBITS—	
BALANCE	362,961.47
	\$586,621,650.65

BALANCE SHEET

June, 1917.

LIABILITIES

CAPITAL STOCK—COMMON		\$100,000,000.00
CAPITAL STOCK—AFFILIATED COMPANIES.....	\$75,429,500.00	
Less: Held in Treasury	69,482,400.00	
		5,947,100.00
FIVE PER CENT. INCOME CHARGE CONVERTIBLE DEBENTURE STOCK		25,000,000.00
FUNDED DEBT—		
Canadian Northern Railway...Schedule "A"	162,366,542.20	
Affiliated CompaniesSchedule "B"	125,228,878.41	
		287,595,420.61
EQUIPMENT TRUST OBLIGATIONS.....		14,846,500.00
DEMAND AND SHORT TERM LOANS SECURED BY COLLATERAL		56,829,769.51
DUE TO OTHER COMPANIES ON CONSTRUCTION ACCOUNT (Secured)		24,341,882.25
CURRENT LIABILITIES—		
Pay Rolls	1,996,062.19	
Audited Vouchers and Other Floating Liabilities	13,786,946.12	
		15,783,008.31
COUPON AND DIVIDEND WARRANTS DUE ON 1st JULY (since paid)	2,275,855.87	
ACCRUED INTEREST ON BONDS, LOANS AND EQUIPMENT SECURITIES—		
Operating	\$2,396,839.80	
Construction	407,024.09	
	2,803,863.89	
		5,079,719.76
RESERVES—		
Steamship Replacement Fund.....	2,050,033.20	
Equipment Replacement Fund.....	1,416,756.51	
Insurance Account	638,800.27	
Taxes Accrued	450,000.00	
		4,555,589.98
AFFILIATED COMPANIES—ADVANCES ACCOUNT SURPLUS—		9,320,714.15
Land Account	37,195,355.42	
Railway Account	126,590.66	
		37,321,946.08
		<u>\$586,621,650.65</u>

D. B. HANNA,
Third Vice-President.

Auditor's Certificate.

We have examined the books and records of the Canadian Northern Railway System for the year ending 30th June, 1917, and we certify that, in our opinion, the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the affairs of the System at that date, as shown by the books and in accordance with the explanations and information given us.

WEBB, READ, HEGAN, CALLINGHAM & CO.,
Toronto, December 7th, 1917
Chartered Accountants

PROFIT AND LOSS STATEMENT
at 30th June, 1917

By Credit, Profit and Loss, 30th June, 1916....		\$2,776,711.03
Deficit for the year (see page 17).....	\$2,462,136.97	
Delayed Income Debits and Credits.....	69,931.51	
Amortization of Discount on Funded Debt....	118,051.89	
		2,650,120.37
 By Credit, Profit and Loss, 30th June, 1917....		\$126,590.66

INCOME STATEMENT

For the Fiscal Year Ended 30th June, 1917

Earnings	\$41,244,689.58	
Subsidiary Miscellaneous Earnings	2,250,386.98	
	<hr/>	\$43,495,076.56
Working Expenses	30,840,234.17	
Taxes, Rentals, Joint Facilities, etc.....	509,174.01	
	<hr/>	31,349,408.18
Net Earnings		\$12,145,668.38
Fixed Charges—Canadian Northern Railway	7,690,942.07	
Fixed Charges—Affiliated Companies	5,139,689.87	
Interest on Demand and Short Term Loans	3,720,268.70	
	<hr/>	16,550,900.64
Less: Amount chargeable to Capital on Construction Account	1,943,095.29	
	<hr/>	14,607,805.35
Net Loss or Deficit.....		<u>\$2,462,136.97</u>

ACQUIRED SECURITIES

THE MINNESOTA & ONTARIO BRIDGE COMPANY.	
4½% 1st Mortgage Debenture Bonds.....	\$ 180,000.00
Capital Stock	100,000.00
THE MINNESOTA & MANITOBA R.R.	
5% General Mortgage Bonds.....	250,000.00
Capital Stock	400,000.00
THE LAKE SUPERIOR TERMINALS COMPANY, LIMITED.	
5% Mortgage Gold Bonds.....	2,000,000.00
Capital Stock	500,000.00
THE CANADIAN NORTHERN TELEGRAPH COMPANY.	
5% General Mortgage Bonds.....	2,000,000.00
Capital Stock	500,000.00
THE WINNIPEG LAND COMPANY, LIMITED.	
5% First Mortgage Gold Bonds.....	300,000.00
Capital Stock	100,000.00
THE ST. BONIFACE & WESTERN LAND COMPANY.	
5% First Mortgage Bonds.....	750,000.00
Capital Stock	250,000.00
THE EDMONTON & SLAVE LAKE RAILWAY COMPANY.	
5% First Mortgage Bonds.....	420,000.00
THE CANADIAN NORTHERN RAILWAY EXPRESS COMPANY, LIMITED.	
4% First Mortgage Gold Bonds, £616,438	3,000,000.00
Capital Stock	1,000,000.00
THE CANADIAN NORTHERN STEAMSHIPS, LIMITED.	
5% First Mortgage Debenture Stock, Sterling £600,000	2,920,000.00
Capital Stock	2,000,000.00
THE CANADIAN NORTHERN SYSTEM TERMINALS, LIMITED.	
5% First Mortgage Debenture Stock and Bonds	7,000,000.00
Capital Stock	2,000,000.00
THE BAY OF QUINTE RAILWAY COMPANY.	
Capital Stock	1,395,000.00
THE CENTRAL ONTARIO RAILWAY COMPANY.	
Capital Stock	3,329,000.00
THE BROCKVILLE, WESTPORT & NORTH WESTERN RAILWAY COMPANY.	
THE IRONDALE, BANCROFT & OTTAWA RAILWAY COMPANY.	
5% First Mortgage Bonds.....	450,000.00
Capital Stock	53,000.00
THE MARMORA RAILWAY & MINING COMPANY.	
Bonds	100,000.00
Capital Stock	100,000.00
THE QU'APPELLE, LONG LAKE & SASK. RY. & STEAMBOAT COMPANY.	
Capital Stock	201,000.00

ACQUIRED SECURITIES—Continued

THE NIAGARA, ST. CATHARINES & TORONTO RAILWAY COMPANY.	
Capital Stock	922,000.00
THE NIAGARA, ST. CATHARINES & TORONTO NAVIGATION COMPANY.	
First Mortgage Bonds	200,000.00
THE QUEBEC & LAKE ST. JOHN RAILWAY COMPANY.	
Capital Stock	4,002,800.00
THE CANADIAN NORTHERN PACIFIC RAILWAY COMPANY.	
Capital Stock	25,000,000.00
THE CANADIAN NORTHERN ALBERTA RAILWAY COMPANY.	
Capital Stock	3,000,000.00
THE CANADIAN NORTHERN WESTERN RAILWAY COMPANY.	
Capital Stock	2,000,000.00
THE CANADIAN NORTHERN SASKATCHEWAN RAILWAY COMPANY.	
Capital Stock	1,000,000.00
THE CANADIAN NORTHERN MANITOBA RAILWAY COMPANY.	
Capital Stock	250,000.00
THE CANADIAN NORTHERN ONTARIO RAILWAY COMPANY.	
Capital Stock	10,000,000.00
THE DULUTH, WINNIPEG & PACIFIC RAILWAY COMPANY.	
Capital Stock	3,060,000.00
THE MOUNT ROYAL TUNNEL & TERMINAL COMPANY, LIMITED.	
Capital Stock	5,000,000.00
THE NORTHERN CONSOLIDATED HOLDING COMPANY, LIMITED.	
Capital Stock	4,446,700.00
Represented by Canadian Northern Quebec Railway Company Capital Stock amounting to \$5,144,600.00.	
THE CANADIAN NORTHERN QUEBEC RAILWAY COMPANY.	
Capital Stock	2,000,000.00
THE HALIFAX & SOUTH WESTERN RAILWAY COMPANY.	
Capital Stock	925,000.00
THE BESSEMER & BARRY'S BAY RAILWAY COMPANY.	
Capital Stock	125,000.00
	\$93,229,500.00
Cost to the Railway Company.....	\$46,372,891.71

FUNDED DEBT OF THE CANADIAN NORTHERN RAILWAY COMPANY

Guaranteed as to Principal and Interest by the
Dominion Government of Canada.

	STERLING.	CURRENCY.
3% 1st Mortgage Debenture Stock	£1,923,287	\$ 9,359,996.72
3½% 1st Mortgage Debenture Stock	1,622,586	7,896,588.26
4% Dominion Guaranteed Debenture Stock..	3,500,000	17,033,333.33

Guaranteed by Government of Manitoba

4% Consolidated Debenture Bonds.....	2,555,600	12,436,279.98
4% Ontario Division Bonds.....	1,180,600	5,745,586.66
4% Winnipeg Terminal Bonds.....	616,438	3,000,000.00
4% 1st Mortgage Debenture Stock.....	587,671	2,859,998.87

Guaranteed by Government of Saskatchewan

4% 1st Mortgage Debenture Stock.....	1,650,000	8,029,999.99
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Guaranteed by Government of Alberta

4% 1st Mortgage Debenture Stock.....	1,147,945	5,586,665.64
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4% Perpetual Consolidated Debenture Stock	9,234,867	44,943,019.40
4% Land Grant Bonds (1909).....	380,700	1,852,740.01
4% Land Grant Bonds (1899).....		2,000,000.00
5% Land Mortgage Debentures	1,500,000	7,300,000.00
5% Secured Notes	2,000,000	9,733,333.34
5% Secured Notes	450,000	2,190,000.00
5% Two Year Collateral Notes.....		11,500,000.00
5% One Year Secured Notes.....		2,500,000.00
6% Secured Notes		6,000,000.00
5% One Year Notes.....		1,750,000.00
4% Minnesota & Manitoba R.R. Bonds.....		349,000.00
4½% Prince Albert Branch Bonds.....		300,000.00

\$162,366,542.20

FUNDED DEBT OF AFFILIATED COMPANIES

	STERLING.	CURRENCY.
The Canadian Northern Alberta Railway Company		
Guaranteed by the Dominion Government		
3½% 1st Mortgage Debenture Stock.....	£ 647,260	\$3,149,998.66
The Canadian Northern Western Railway Company		
Guaranteed by the Government of Alberta		
4½% 1st Mortgage Debenture Stock.....	575,342	2,799,997.73
4½% 1st Mortgage Debenture Stock.....	1,320,000	6,424,000.00
The Canadian Northern Pacific Railway Company		
Guaranteed by the Government of British Columbia		
4% 1st Mortgage Debenture Stock.....	3,372,329	16,412,001.13
4½% Terminal Debenture Stock.....	1,770,000	8,614,000.00
The Canadian Northern Ontario Railway Company		
Guaranteed by the Dominion Government		
3½% 1st Mortgage Debenture Stock.....	7,033,561	34,229,996.87
Guaranteed by the Government of Ontario		
3½% 1st Mortgage Debenture Stock.....	1,615,068	7,859,997.59
4% Perpetual Consolidated Debenture Stock	1,866,499	9,083,628.46
The Central Ontario Railway Company		
5% 1st Mortgage Bonds.....	194,300	945,593.33
The Bay of Quinte Railway Company		
5% 1st Mortgage Bonds.....		780,000.00
The Canadian Northern Quebec Railway Company		
4% Perpetual Consolidated Debenture Stock	1,078,843	5,250,369.26
Great Northern Ry. of Canada 4% Bonds.....		3,505,750.00
The Quebec and Lake St. John Railway Company		
4% Perpetual Debenture Stock.....	895,688	4,359,014.93

FUNDED DEBT OF AFFILIATED COMPANIES

—Continued

	STERLING	CURRENCY
The Duluth, Winnipeg and Pacific Railway Company		
4% 1st Mortgage Debenture Stock.....	1,473,353	7,170,317.93
Less: Collateral Security to Loan.....	32,670	158,994.00
	1,440,683	7,011,323.93
 Duluth, Rainy Lake and Winnipeg Railway		
5% 1st Mortgage Bonds.....		2,000,000.00
 The Halifax and South Western Railway Company		
3½% 1st Mortgage Bonds.....		4,447,000.00
 The Niagara, St. Catharines and Toronto Railway Company		
5% 1st Mortgage Bonds.....		1,098,000.00
 The Qu'Appelle, Long Lake & Saskatchewan Railway and Steamboat Company		
4% Guaranteed Debenture Stock.....	1,037,961.60	5,051,411.66
Less: Treasury Stock	6,549.00	31,871.80
	1,031,412.60	5,019,539.86
 Mount Royal Tunnel & Terminal Company, Limited		
5% 1st Mortgage Bonds.....	460,000	2,238,666.66
		\$125,228,878.41

GROSS EARNINGS, OPERATING EXPENSES AND NET EARNINGS

COMPARED WITH PREVIOUS FISCAL YEAR

Gross Earnings

Per Cent.	1916	Class	1917	Per Cent.
17.27	\$ 6,128,470.76	Passenger	\$ 7,611,807.94	17.50
74.87	26,560,213.12	Freight	32,188,799.93	74.01
00.64	225,718.70	Mails	238,978.68	00.55
02.37	839,557.69	Express	1,096,264.37	02.52
04.85	1,722,314.79	Miscellaneous..	2,359,225.64	05.42
100.00	\$35,476,275.06	Total	\$43,495,076.56	100.00

Operating Expenses

Per Cent.	1916	Class	1917	Per Cent.
22.60	\$ 5,899,540.27	{ Maintenance of Way and Structures	\$ 7,160,338.18	22.84
15.69	4,095,745.88		4,867,208.64	15.53
02.12	553,075.79	{ Maintenance of Equipment	712,809.04	02.27
51.28	13,384,547.71		16,100,826.57	51.36
01.45	379,646.48	{ Traffic Expenses Transportation Expenses	509,853.69	01.63
06.86	1,790,188.39		1,998,372.06	06.37
100.00	\$26,102,744.52	Total	\$31,349,408.18	100.00

Summary of Earnings and Expenses

Per Cent.	1916	Class	1917	Per Cent.
73.58	\$35,476,275.06	Gross Earnings	\$43,495,076.56	72.08
26.42	26,102,744.52	Operating Expenses	31,349,408.18	27.92
100.00	9,373,530.54	Net Earnings	12,145,668.38	100.00

DESCRIPTION OF FREIGHT CARRIED

		For Year Ended, June 30	
		1917	1916
Flour.....	Sacks (100 lbs. each)..	8,333,769	7,574,500
Grain	Bushels.....	130,720,761	131,978,809
Live Stock (All kinds)	Head	518,735	488,809
Logs and Lumber.....	Feet.....	2,080,002,000	1,809,565,000
Firewood.....	Cords.....	346,107	286,745
Coal.....	Tons.....	1,940,023	1,741,031
Immigrants' Effects..	Cars.....	4,696	2,968
Building Material (Lime, Stone, Brick, Sand, etc.).	Cars.....	42,340	41,887
Miscellaneous.....	Tons.....	4,237,921	3,722,085

EARNINGS, EXPENSES AND NET EARNINGS

Year	Average Miles Operated	Earnings	Expenses	Net Earnings
1914-15	7,269	\$25,912,106.30	\$19,288,814.42	\$6,623,291.88
1915-16	8,048	35,476,275.06	26,102,744.52	9,373,530.54
1916-17	9,396	43,495,076.56	31,349,408.18	12,145,668.38

Per Mile Operated

Year	Average Miles Operated	Earnings	Expenses	Net Earnings
1914-15	7,269	\$3,564.74	\$2,653.57	\$ 911.17
1915-16	8,048	4,408.08	3,243.38	1,164.70
1916-17	9,396	4,629.11	3,336.47	1,292.64

Fixed Charges per Mile of Line

	1917	1916	1915
Amount required per mile of Road to pay Fixed Charges, including Leased Lines.....	1,554.68	1,195.53	1,136.82

PASSENGER, FREIGHT AND MISCELLANEOUS STATISTICS

COMPARED WITH PREVIOUS FISCAL YEARS

	1917	1916	1915
PASSENGER TRAFFIC			
Passengers Carried (Earning Revenue).....	4,443,465	3,859,844	3,961,787
Passengers carried one mile.....	294,515,612	226,934,368	205,327,011
Passengers carried one mile per mile of Road.....	31,351	28,413	28.486
Average distance carried.....	66.280	58.794	51.812
Total Passenger Revenue.....\$	6,273,153.09	5,040,088.82	4,629,581.06
Average amount received per passenger.....\$	1.41.177	1.30.578	1.16.856
Average amount received per passenger per mile.....Cts.	.02.129	.02.229	.02.254
Total Passenger Train Earnings...\$	[8,428,992.01	6,715,097.17	5,836,430.85
Passenger Train Earnings per Train Mile.....\$	1.20.761	1.03.954	.97.269
FREIGHT TRAFFIC			
Revenue Tons carried.....	13,984,475	12,930,460	10,088,236
Revenue Tons carried one mile.....	4,588,734,595	3,842,826,173	2,140,759,693
Revenue Tons carried one mile per mile of Road.....	489,418	481,135	296,998
Average distance haul of one ton...	328.124	297.191	212.203
Total Freight Revenue.....\$	31,360,485.92	25,929,039.26	17,645,020.40
Average amount received for each ton of Freight.....\$	2.24.252	2.00.526	1.74.906
Average Revenue per ton per mile.....Cts.	.00.683	.00.675	.00.824
Total Freight Train Earnings...\$	31,876,052.22	26,266,861.87	17,947,531.60
Freight Train Earnings per Train Mile.....\$	2.64.344	2.47.963	2.54.264
TRAIN MILEAGE			
Mileage of Passenger Trains.....	5,010,001	4,262,786	4,091,210
Mileage of Freight Trains.....	10,043,203	8,396,192	5,149,562
Mileage of Mixed Trains.....	1,969,884	2,196,870	1,909,071
Total.....	17,023,088	14,855,848	11,149,843
EXPENSES PER TRAFFIC TRAIN MILE			
Maintenance of Way and Structures.....Cts.	41.61	39.32	34.89
Maintenance of Equipment.....Cts.	28.09	27.10	25.21
Traffic Expenses.....Cts.	04.11	03.67	05.00
Transportation Expenses.....Cts.	92.44	87.98	88.49
Miscellaneous Operations.....Cts.	02.99	02.56	01.31
General Expenses.....Cts.	11.47	11.77	13.80
Total.....\$	1.80.71	1.72.40	1.68.70
Average Mileage Operated.....	9.334	7.987	7.208

Operations of Electric Lines not included in above Statement

ELECTRIC LINE STATISTICS			
Passengers Carried (Earning Revenue).....	5,924,468	5,524,212	4,889,885
Total Passenger Revenue.....\$	499,751.79	463,733.49	426,283.97
Revenue Tons Carried.....	422,155	422,921	448,533
Total Freight Revenue.....\$	275,673.00	260,999.41	228,959.02

SUMMARY OF EQUIPMENT

	At June 30th.	
	1917	1916
Locomotives	735	740
Sleeping and Dining Cars	116	117
Passenger Coaches	624	635
Baggage and Mail and Express Cars	187	190
Business Car	22	22
Freight, Refrigerator and Stock Cars	29,489	29,368
Conductors' Vans	443	454
Boarding, Tool, Auxiliary Cars, Steam Shovels and Snow Equipment	1,520	1,272

MILES OF RAILWAY

The total mileage operated at the close of the fiscal year ended June 30th, 1917, including lines owned and leased, was 9,433.4 miles, made up as follows:

CENTRAL DIVISION—WEST OF PORT ARTHUR

District No. 1.

Port Arthur to Paddington.....	434.5	
Twin City Junction to North Lake.....	58.1	
Emerson to South Junction.....	71.6	
		564.2

District No. 2.

Paddington to Fort Rouge Terminals.....	4.0	
Paddington Junction to Victoria Beach.....	71.7	
Grosse Isle to Hodgson.....	80.7	
St. James to Gypsumville	156.7	
Steep Rock Junction to Steep Rock.....	12.0	
Portage Junction to Emerson.....	63.4	
Morris to Somerset.....	62.2	
Carman Junction to Belmont.....	118.8	
Greenway to Deloraine.....	79.7	
		649.2

District No. 3.

Woodward Avenue, Winnipeg, to Dauphin.....	175.6	
Delta Junction to Delta.....	14.8	
Oakland to Amaranth.....	44.0	
Arizona Junction to Brandon.....	78.8	
Neepawa Junction to McCreary Junction.....	70.4	
Brandon Junction to Carberry Junction.....	22.9	
Rosburn Junction to Ross Junction.....	190.6	
Hallboro to Beulah.....	75.0	
Ochre River to End of Track.....	15.0	
Wroxton to Willow Brook.....	41.0	
		728.1

District No. 4.

Brandon to C. N. Junction.....	219.5	
Maryfield to Radville.....	139.8	
Luxton to Estevan.....	24.9	
M. & B. Junction to Hartney Junction.....	38.0	
Belmont to Virden.....	91.9	
Radville to Bengough.....	45.2	
Moose Jaw Junction to Moose Jaw.....	85.8	
Gravelbourg Junction to Gravelbourg.....	78.6	
		723.7
<i>Forward</i>		2,665.2

Forward..... 2,665.2

WESTERN DIVISION—WEST OF PORT ARTHUR

District No. 1.

Dauphin to Humbolt.....	247.3
North Junction to Prince Albert.....	360.5
Sifton Junction to Winnipegosis.....	20.7
Thunderhill to Preeceville.....	72.1
Hudson Bay Junction to The Pas.....	87.5
Melfort to St. Brieux.....	21.5
Canora to Sturgis Junction.....	21.7
	<hr/>
	831.3

District No. 2.

Regina to East Prince Albert.....	249.3
Saskatoon to Kindersley.....	126.1
Delisle to Dunblane.....	59.4
Elrose Junction to Eston.....	84.4
Humbolt to North Battleford.....	147.6
Dalmeny to Carlton.....	35.8
Prince Albert to Denholm.....	116.5
Shellbrook to Big River.....	56.5
	<hr/>
	875.6

District No. 3.

North Battleford to Tollerton.....	389.2
North Battleford to Turtleford.....	55.7
Battleford Junction to Battleford.....	8.0
Edmonton Junction to Stony Plains.....	19.4
St. Albert to Athabasca.....	85.8
Edmonton and South Edmonton Terminals.....	11.1
Peace River Junction to Sangudo.....	31.1
	<hr/>
	600.3

District No. 4.

Kindersley to Calgary.....	273.4
Munson Junction to Vegreville.....	162.1
Warden to Nordegg.....	174.0
Camrose to Terminal Junction.....	45.8
Alliance to South East Junction.....	59.3
	<hr/>
	714.6

PACIFIC DIVISION—WEST OF EDMONTON

Tollerton to Lucerne.....	128.9
Lucerne to Blue River.....	110.7
Blue River to Kamloops.....	142.8
Kamloops Junction to Boston Bar.....	125.7
Boston Bar to Vancouver.....	132.2
Victoria to Patricia Bay.....	15.5
	<hr/>
	655.8

ONTARIO DIVISION—EAST OF PORT ARTHUR

Toronto District.

Toronto to Ottawa.....	256.8
Todmorden to Parry Sound.....	143.4
Udney to Orillia.....	10.2
Brockville to Westport.....	44.4
Trenton to Wallace.....	117.6
Belmar to Cordova.....	9.6
Ormsby Junction to Coe Hill.....	7.2
Trenton to Picton.....	30.6
York River to Kinmount Junction.....	51.0
Yarker to Bannockburn.....	54.5
Harrowsmith to Kingston.....	18.6
	<hr/>
	743.9

Forward..... 7,086.7

<i>Forward</i>		7,086.7
<i>Lake Superior District.</i>		
Parry Sound to Capreol.....	127.0	
Key Junction to Key Harbor.....	6.2	
Sudbury Junction to Sudbury.....	5.2	
Connecting Track to Algoma Eastern Railway...	2.4	
Garson Junction to Garson.....	3.7	
Capreol to Foleyet.....	148.3	
Milnet to Sellwood.....	5.2	
Foleyet to Hornepayne.....	148.1	
Hornepayne to Jellicoe.....	150.5	
Jellicoe to Port Arthur.....	147.9	
Rideau Junction to Brent.....	157.8	
Brent to Capreol.....	144.8	
		<hr/> 1,047.1

QUEBEC DIVISION

<i>Montreal District.</i>		
Montreal to Quebec (Limoulou Junction).....	175.5	
Hurdman to Joliette.....	124.2	
Rinfret Junction to Huberdeau.....	45.3	
Paradis Junction to Rawdon.....	15.9	
Aldred Junction to Shawinigan Falls.....	3.8	
Garneau Junction to Riviere a Pierre Junction...	39.8	
		<hr/> 404.5

<i>Lake St. John District.</i>		
Quebec to Lake Edward.....	111.9	
Lake Edward to Chicoutimi.....	115.1	
Linton Junction to La Tuque.....	39.6	
Chambord Junction to Roberval.....	12.3	
Loretteville to Stoneham.....	10.0	
		<hr/> 288.9

LINES IN PROVINCE OF NOVA SCOTIA

Halifax to Yarmouth.....	248.3	
Mahone Junction to Lunenburg.....	7.0	
Bridgewater to Port Wade.....	93.1	
Caledonia Junction to Caledonia.....	22.1	
		<hr/> 370.5

LINES IN STATE OF MINNESOTA, U.S.A.

Duluth to North Junction via Virginia.....	79.0	
South Junction via West Virginia to Duluth Junc.	95.1	
		<hr/> 174.1

ELECTRIC LINES IN PROVINCE OF ONTARIO

Port Dalhousie to Niagara Falls.....	17.5	
Thorold to Port Colborne.....	18.6	
Niagara Falls to Falls View.....	4.6	
St. Catharines to Niagara-on-the-Lake.....	12.2	
Local Lines at St. Catharines, Thorold and Merriton	8.7	
		<hr/> 61.6
Total Miles.....		<hr/> <hr/> 9,433.4

Forward

Forward

Located as follows :

Province of Nova Scotia.....	370.5
Province of Quebec	636.6
Province of Ontario	2,253.3
Province of Manitoba	1,984.4
Province of Saskatchewan	2,194.3
Province of Alberta	1,244.6
Province of British Columbia.....	531.9
State of Minnesota	217.8
	<hr/>
Total Mileage	9,433.4
Average Mileage operated for Fiscal Year.....	9,396 miles.