

"THE CANADA EASTERN RAILWAY COMPANY"

(property included in "The Intercolonial Railway" from October 1, 1904)

**INCORPORATED:** April 11, 1872 - New Brunswick Chapter 33  
March 26, 1890 - Dominion Chapter 74, Confirmed the New Brunswick Act of Incorporation and changed the name of the Company (see History).

**DECLARATORY:** Declared to be a work for the general advantage of Canada - Dominion Chapter 74, March 26, 1890.

**HISTORY:** Under New Brunswick Act 33 Victoria Chapter 48, April 7, 1870 "The Chatham Branch Railway Company" was incorporated to construct and maintain a railway from Chatham to the Intercolonial Railway at Nelson.

The railway was completed and opened for traffic as follows:

Chatham Junction to Chatham	9.00 miles	August 1, 1876
Chatham to Chatham Wharf	2.00 miles	about July 1, 1887

Under Dominion Act 51 Victoria Chapter 72, May 22, 1888, "The Chatham Railway Company" was incorporated to acquire the railway line from Chatham Junction (now Nelson Junction) to Chatham, and to extend the line etc. The line was extended about 5½ miles to Loggieville.

Under New Brunswick Act 35 Victoria Chapter 33, April 11, 1872, "The Northern and Western Railway Company of New Brunswick" was incorporated to construct and maintain a railroad from Chatham to Fredericton.

The railway was completed and opened for traffic as follows:

Chatham Junction to South Devon	106.73 miles	January 1, 1887
Indiantown to Blackville	9.00 miles	January 1, 1887
<b>Total</b>	<b>115.73 miles</b>	

Under Dominion Act 53 Victoria Chapter 74, March 26, 1890, the New Brunswick Act of Incorporation was confirmed, and the name was changed to "The Canada Eastern Railway Company", and the purchase of The Chatham Railway property Capital Stock, rights, privileges and franchises was authorized.

Under New Brunswick Act 61 Victoria Chapter 57, March 18, 1898, "Alexander Gibson Railway and Manufacturing Company" was incorporated for the purpose, among others, of acquiring and operating the railway of The Canada Eastern Railway Company.

Under Dominion Act 61 Victoria Chapter 59, June 13, 1898, The Canada Eastern Railway Company was authorized to sell and transfer to Alexander Gibson Railway and Manufacturing Company its railway and branches, rights, franchises, powers, privileges, and property.

Under Dominion Act 2 Edward VII, Chapter 46, May 15, 1902, "The Canada Eastern Railway Company" was incorporated with power to acquire the railway undertaking of Alexander Gibson Railway and Manufacturing Company together with its railway, rights, franchises, powers, privileges and property. Apparently this proposed

action was not carried out.

Dominion Chapter 4, August 10, 1904, authorized the Dominion Government to acquire the railway, rights, franchises, powers and property formerly belonging to The Canada Eastern Railway Company, from Alexander Gibson Railway and Manufacturing Company, to form part of the Government railways system. The purchase was completed and became effective on October 1, 1904.

#### **DONATIONS AND GRANTS:**

Subsidies were as follows (Statistics of Steam Railways of Canada Page 62):

Dominion	\$374,840	
Province of New Brunswick	<u>377,500</u>	\$752,340

Under New Brunswick Act 52 Victoria Chapter 63 April 11, 1889 the name of the Northern and Western Railway Company was changed to the Canada Eastern Railway Company. The line was extended from Chatham to Loggieville a distance of 5.17 miles about December 31, 1894.

#### **LOCATION:**

Moncton and Edmundston Divisions:	<u>Miles</u>
Loggieville, NB - Nelson Junction, NB	13.49
Blackville, NB - South Devon, NB	87.00
<u>Discontinued</u>	
Nelson Junction, NB - Blackville, NB	24.00

#### CANADIAN AIRWAYS, (LIMITED)

(formerly partly owned subsidiary of "Canadian National Railway Company")

Sold Canadian Pacific Railway August 31, 1942

**INCORPORATED:** June 27, 1930 - Dominion Letters Patent.

**HISTORY:** Under Dominion Letters Patent dated 27, 1930 Canadian Airways, (Limited) was incorporated to operate aerial transportation throughout Canada for the handling of mail, freight, express and passenger traffic.

Early in 1930 an agreement was reached between individuals who held a substantial majority of the Capital Stock of the Aviation Corporation of Canada, Limited, all the Capital Stock of Western Canada Airways Limited, to accept in exchange therefor the Capital Stock of a new company to be incorporated under the name of Canadian Airways, (Limited) on the basis of valuation of the shares of the existing companies (with certain agreed adjustments) as reflected on their Balance Sheets as of December 31, 1929. After ratification of the agreement by shareholders of the respective existing companies, and incorporation of Canadian Airways, (Limited) sale of the assets and undertakings to the latter Company was consummated and shares of the new Company were issued in exchange. Shares were also issued to Canadian Pacific Railway Company for cash consideration.

Upon the recommendation of the Minister of Railways and Canals, ratified at a meeting of the Privy Council November 4, 1930 Canadian National Railway Company also subscribed for 10,000 shares of N.P.V. stock at \$25 per share - \$250,000 - which it

received on December 5, 1930.

As a result of the agreement Canadian Airways, (Limited) acquired the entire business of Western Canada Airways Limited, and of the wholly-owned subsidiaries of Aviation Corporation of Canada, Limited, i.e. International Airways of Canada Limited, Canadian Airways Limited (Old), Interprovincial Airways, Limited, and a controlling interest in the partially-owned subsidiary. Canadian Transcontinental Airways, Limited.

#### LOCATION:

	<u>Operating Bases</u>		
	<u>Eastern Lines</u>	<u>Western Lines</u>	<u>Pacific Lines</u>
	Longueuil, QC	Winnipeg, MB	Vancouver, BC
	Quebec City	Lac du Bonnet, MB	Carcross, YT
	Senneterre, QC	Ilford, MB	
	Rouyn, QC	Sioux Lookout, ON	
	Oskelaneo, QC	Kenora, ON	
	Sept Isles, QC	Edmonton, AB	
	Chapleau, ON	Fort McMurray, AB	
	Moosonee, ON	Peace River, AB	
	Moncton, NB	Cameron Bay, NWT	
	Charlottetown, PEI		

#### PROPERTY INVESTMENT:

As at December 31, 1936:			
Aircraft engines and other equipment	\$1,545,128		
Less Depreciation reserve	<u>951,787</u>		\$593,341
Land, buildings and structures	\$ 445,289		
Less Depreciation reserve	<u>82,499</u>		\$362,790

#### SUBSIDIARY COMPANY:

The Clarke Steamship Company proposed to engage in the business of carrying mail and passengers by plane in the Lower St. Lawrence, in which business the Canadian Airways, (Limited) was already engaged, and to avoid losses a new Company, Quebec Airways, Limited, was formed in which Canadian Airways, (Limited) and Clarke Steamship Company were both interested. James A. Richardson of the former Company was Chairman and D. A. Clarke of the latter Company was President of the new Company. Canadian Airways, (Limited) held the entire issue of 536 - 7% Preference shares of the par value of \$100 each, and 7,500 of the 10,000 N.P.V. Common shares of Quebec Airways, Limited. Canadian National Railway Company was interested only indirectly through its holding of Canadian Airways, (Limited) stock.

#### CAPITAL STOCK:

As at December 31, 1936:	
Authorized:	200,000 shares N.P.V.
Issued:	129,753 shares N.P.V.

#### Held as follows:

Western Canada Airways Limited	60,000 shares
Aviation Corporation of Canada Limited	47,088 shares
Canadian Transcontinental Airways	2,665 shares
Canadian Pacific Railway Company	10,000 shares

Canadian National Railway Company 10,000 shares  
Canadian National Railway Company acquired the 10,000 shares at \$25 each -  
\$250,000 on December 5, 1930, and on August 31, 1942 sold the 10,000 shares.

"THE CANADIAN EXPRESS COMPANY"  
(included in "Canadian National Railway Company" from June 8, 1954)

**INCORPORATED:** February 16, 1865 - Province of Canada Letters Patent.

**HEAD OFFICE:** Montreal, Quebec.

**HISTORY:** Transportation of express traffic in Canada commenced in 1843.

Early in 1842 Messrs. Pullin and Copp started operating a stage express business between New York, Albany, Troy and Saratoga Springs. In 1843 this service was connected at Albany and Troy with Virgil and Howard's Express which operated to Burlington, Vermont, and Plattsburgh, NY. Lake Champlain; to St. Johns, Quebec, on the Richelieu River, by stage to Laprairie, QC, and across the St. Lawrence River to Montreal.

About 1844 these lines were consolidated under the name "Pullin, Virgil and Company's Express." Subsequently, the service was extended to Toronto and other points. Other competitive companies were also formed, including British and North American Express Company, and Cheney, Rice and Company.

In 1855, representatives of these various organizations met in conference in Montreal for the purpose of consolidating the various express companies operating in Canada at that time under one name and management. A merger under the name "British and American Express Company" with a Capital Stock of \$300,000 was agreed upon and operation was carried on under that name until the spring of 1865.

At a meeting held in St. Lawrence Hall, Montreal, on December 8, 1864, it was resolved to form a new company to succeed British and American Express Company. William G. Fargo occupied the chair, and Benjamin P. Cheney, E. H. Virgil, Wm. G. Fargo, Robert Kent and Thomas Kirkpatrick were elected provisional directors with authority to obtain a charter, purchase the property and goodwill of British and American Express Company, and make arrangements for continuing the business from January 1, 1865, pending receipt of charter by the new Company.

Under Province of Canada Letters Patent, February 16, 1865, "The Canadian Express Company" was incorporated with an authorized Capital Stock of \$3,000,000.

Operations were carried on over The Grand Trunk Railway and all other railways, roads, rivers, lakes and all other modes of communication within the Province of Canada.

The Canadian Express Company subscribed to one-third of the Capital Stock of "The Intercolonial Express Company of Canada (Limited)" which was incorporated on June 21, 1879, to handle express traffic over The Intercolonial Railway.

On December 1, 1889, operations of The Intercolonial Express Company of Canada (Limited) were turned over to the Canadian Express Company for management. This arrangement was continued to April 1, 1914, when operation by The Intercolonial Express Company (Limited) over The Intercolonial Railway was discontinued and the Company was wound up and surplus distributed to shareholders on a prorata basis in exchange for outstanding shares.

On May 11, 1891, The Canadian Express Company introduced the first Money Order service in Canada.

Under Agreement of December 29, 1891, The Grand Trunk Railway Company of Canada acquired \$1,500,000 of Capital Stock along with other assets. The price was 44¢ on the \$1 and \$660,000 was paid to the Trustees for the Shareholders. Various security assets taken over realized \$335,002.22 when sold. The net cost to the G.T.R. was therefore \$324,997.78. Operations were taken over as of January 1, 1892.

In 1913 certain stables were sold by The Grand Trunk Railway to the Express Company, the book cost of which was \$113,099.14, for which the Express Company issued \$192,200 of its Capital Stock in payment.

In 1921, a further \$26,600 of Capital Stock was purchased at par by The Grand Trunk Railway Company of Canada. The total Capital Stock issued and acquired by The Grand Trunk Railway Company of Canada was carried in its accounts at par of \$1,768,800.

By Agreement of September 1, 1921, all operations of The Canadian Express Company were taken over by Canadian National Express Company.

By Agreement dated June 30, 1924, the Company's properties were entrusted to the management of Canadian National Railway Company for operation as a department of the railway, the railway having been empowered in the previous year to carry on business customarily carried on by express companies (later section 25 of Canadian National Railways Act).

**AMALGAMATION:** On June 8, 1954, Canadian National Railway Company, The Canadian Express Company and five other companies were amalgamated into one company under the name "Canadian National Railway Company".

**LOCATION OF OPERATIONS:**

The Canadian Express Company operated over:  
The Grand Trunk Railway  
The Grand Trunk Pacific Railway  
The Intercolonial Railway  
Temiskaming and Northern Ontario Railway  
Central Vermont Railway (in Canada)  
Windsor, Essex and Lakeshore Rapid Railway  
Chatham, Wallaceburg and Lake Erie Railway  
Quebec, Montreal and Southern Railway  
Dominion Iron and Coal Company Railway  
Hampton and St. Martin's Railway  
Inverness Railway and Coal Company Railway

Salisbury and Albert Railway  
 Sydney and Louisburg Railway  
 Cape Breton Railway  
 Prince Edward Island Railway  
 Quebec Oriental Railway  
 Atlantic, Quebec and Western Railway  
 Maritime Coal and Railway Company Railway  
 Montreal and Southern Counties Railway  
 London and Lake Erie Railway

**Note:**

Prior to July 1, 1918 the Company operated over Grand Trunk Lines in New England from International Boundary to Portland, Maine, and Branches; and between Detroit and Port Huron in Michigan. These operations were then taken over by American Railway Express Company.

**CAPITAL STOCK:**

Prior to Amalgamation on June 8, 1954:

Authorized:	17,688 shares -	\$100	\$1,768,800
Issued:	17,688 shares -	\$100	1,768,800

All owned by Canadian National Railway Company.

Upon Amalgamation on June 8, 1954, the outstanding shares were cancelled in accordance with the terms of Amalgamation agreement dated May 13, 1954.

**FUNDED DEBT:**

As at June 8, 1954 - Nil.

"CANADIAN GOVERNMENT RAILWAYS"

(not incorporated)

(owned by Canada and entrusted to "Canadian National Railway Company" for management and operation from January 20, 1923)

As at December 31, 1960

<u>Road</u>	<u>Mileage</u>	<u>Investment</u>
Intercolonial Railway	1,483	\$204,326,170.59
Prince Edward Island Railway	275	10,765,984.28
New Brunswick & P.E.I. Railway	36	1,888,880.05
International Railway of New Brunswick	105	3,296,765.06
National Transcontinental Railway	1,776	211,034,893.70
Moncton & Buctouche Railway	28	716,465.22
Salisbury & Albert Railway	24	511,382.42
Elgin & Havelock Railway	12	218,984.08
York & Carlton Railway	5	68,459.71
Quebec & Saguenay Railway	62	7,998,324.65
Caraquet & Gulf Shore Railway	79	1,458,511.71
Lotbiniere & Megantic Railway	13	186,336.16
Cape Breton Railway	26	200,603.44
Quebec Bridge	2	21,706,664.49
Long Lac cut-off	30	2,847,547.01
Branch Line aid		36,485.95

Temiscouata Railway	101	1,968,845.15
Hudson Bay Railway	510	36,702,007.60
Newfoundland Docks		620,908.00
Northwest Communication System		17,833,075.52
Other communications facilities		<u>1,441,086.01</u>
		525,828,380.80
Less Adjustments of above balances on separation of road and equipment		<u>(37,401,683.09)</u>
<b>Total Road</b>		<b>\$488,426,697.71</b>
<u>Equipment</u>		
Rolling Stock		\$ 11,592,754.00
Floating Equipment		<u>7,227,749.53</u>
		\$ 18,820,503.53
<b>Total Road and Equipment Assets</b>		<b>\$507,247,201.24</b>
<u>Improvements on Leased Property</u>		
Lake Superior Branch		\$ 4,138,093.46
Van Buren Bridge		<u>16,225.76</u>
		\$ 4,154,319.22
<u>Other Physical Property</u>		
Malagash Spur		\$ 29,290.75
Murray River Property		1,898.43
Land - abandoned lines		203,732.98
Land - ballast pit		<u>37,373.50</u>
		272,295.66

Note:

The term "Canadian Government Railways" is used as a descriptive (but not corporative) title and is defined in Section 10 of the Act incorporating Canadian National Railway Company (Dominion Act 9-10 George V, Chapter 13, June 6, 1919). It includes all such railways or parts thereof, and all such properties, works, powers, rights and privileges or interests or any of them as may be designated in any Order in Council from time to time subsisting, entrusting the management and operation thereof to the Company.

**HISTORY:**

Under the terms of Imperial Act 30-31 Victoria Chapter 3, March 29, 1867 (The British North America Act, 1867), effective July 1, 1867 ownership of all railway lines previously built or acquired by the Province of Nova Scotia and New Brunswick were vested in the Dominion Government which at the same time became obligated to extend the existing lines into an Intercolonial System. The railway lines thus acquired and subsequent additions thereto by construction or acquisition are the nucleus of, and form an important part of the railway properties owned by the Crown and now collectively described by the term "Canadian Government Railways".

Under Dominion Act 31 Victoria Chapter 12, December 21, 1867, these lines came under the jurisdiction of the Department of Public Works. They so remained until establishment of the Department of Railways and Canals, and appointment of the Minister of Railways and Canals to have jurisdiction over all railway lines pertaining to the

Dominion Government, as authorized by Dominion Act 42, Victoria Chapter 7, May 15, 1879.

In accordance with the terms of Addresses from the Houses of the Parliament of Canada and from the Legislative Council and House of Assembly of Prince Edward Island, respectively, for admittance of Prince Edward Island into the Dominion of Canada, duly approved by Order in Council at the Court of Windsor, June 26, 1873, the railways under contract and in course of construction in Prince Edward Island became the property of the Dominion Government on July 1, 1873. These lines, known as Prince Edward Island Railway, form part of the railway properties owned by the Crown and now collectively described by the term "Canadian Government Railways".

Under Dominion Act 3 Edward VII, Chapter 71, October 24, 1903, provision was made for construction of a National Transcontinental Railway wholly within Canada extending from Moncton to the Pacific Coast. The proposed line was to be composed of two divisions, the Western Division from Winnipeg to the Pacific Coast to be constructed by The Grand Trunk Pacific Railway Company, and the Eastern Division from Moncton to Winnipeg to be constructed by the Dominion Government, under the charge of three Commissioners forming a corporate body under the name "The Commissioners of The Transcontinental Railway". Construction was duly completed by the respective parties, the last spike in the construction of the Eastern Division (Moncton to Winnipeg) being driven on November 17, 1913. The railway was operated for a short period, in sections, by the Contractors and Commissioners. The Eastern Division is now known as the "National Transcontinental Railway" and forms part of the railway properties owned by the Crown and now collectively described by the term "Canadian Government Railways".

At the time of the original opening of "The Intercolonial Railway for traffic, and the taking over of Prince Edward Island Railway, an organization was adopted, which, with some modification remained in effect until 1909. The Official placed in immediate charge of both railways was a General Manager, the title being "General Manager, Government Railways".

Under Dominion Order in Council P.C. 825, April 20, 1909, the position of "General Manager, Government Railways" was abolished and "The Government Railways Managing Board" was established effective April 1, 1909 to supervise and direct all departments of the railways owned or operated by the Government of Canada, with powers usually vested in executives of railway corporations. The Board consisted of the following:

M. J. Butler,	Deputy Minister and Chief Engineer of the Department of Railways and Canals.
	(Chairman).
David Pottinger; I.S.O.	) Members required to
E. Tiffin, Traffic Manager ) devote full time to	F. P. Brady
) the official duties	
	) attached to their
	) positions.

Under Dominion P.C. 1031, May 5, 1913, The Government Railways Managing Board was abolished and F. P. Gutelius was appointed General Manager of Government Railways.



Dominion Act 4-5, George V, Chapter 43, June 12, 1914, enacted that after completion of the Eastern Division of the National Transcontinental Railway (Moncton to Winnipeg) and until it is leased to The Grand Trunk Pacific Railway Company, the Eastern Division shall be under the control and management of the Minister of Railways and Canals who shall have power to operate the whole or any part of the Division as a Government railway. Dominion Act 4-5 George V, Chapter 1, April 3, 1914, provided funds for operation from Moncton to Levis.

Under Dominion Act 5, George V, Chapter 16, April 15, 1915, the Minister of Railways and Canals was authorized to construct or acquire any line of railway in the province of Quebec or in the Maritime provinces, directly connected with the existing Government Railways system, which in his opinion could be more conveniently or usefully operated as part of the Government Railways system, provided that no such line purchased or leased shall exceed 200 miles in length; provided further that no contract for the construction of a line or railway exceeding 25 miles in length shall be entered into or the purchase price of any such railway be paid until after a sum of money for the purpose has been appropriated by Parliament; provided further that such railway or other work, when constructed, leased, purchased or otherwise acquired shall form part of the Government Railways system and shall be subject to the provisions of the Government Railways Act.

Under the above mentioned general authority, the following railway lines were acquired as of the date indicated opposite each:

Cape Breton Railway	July 1, 1920
Caraquet and Gulf Shore Railway	June 1, 1920
Elgin and Havelock Railway	June 1, 1918
Moncton and Buctouche Railway	June 1, 1918
St. Martin's Railway (line abandoned in 1940)	June 1, 1918
Salisbury and Albert Railway	June 1, 1918
York and Carleton Railway	June 1, 1918

By authority of Dominion Act 5, George V, Chapter 16, April 15, 1915, confirming Agreement dated March 8, 1915, between The New Brunswick and Prince Edward Island Railway Company and the Minister of Railways and Canals the whole of the railway, about 36 miles, extending from Sackville to Cape Tormentine Station, and undertaking of The New Brunswick and Prince Edward Island Railway Company together with all its rights, franchises, powers and privileges, and all lands, rolling stock, equipment, stores and all other personal property of the Company, was acquired as of August 1, 1914, for the sum of \$270,000 plus interest at 4% per annum from August 1, 1914, to date of payment.

By authority of Dominion Act 5 George V, Chapter 16, April 15, 1915, confirming Agreement dated August 1, 1914, between International Railway Company of New Brunswick, Thomas Malcolm, Railway Contractor and owner of the Capital Stock of the Company, and the Minister of Railways and Canals, all of the issued Capital Stock, railway lines of about 112 miles extending from Campbellton to St. Leonard, NB, rolling stock, franchises, rights, powers, privileges and all other property of International Railway Company of New Brunswick was acquired upon payment of \$2,700,000 on August 1, 1919 the railway being leased in the meantime at an annual rental of \$90,000.

Under Agreement dated July 29, 1915, between The Grand Trunk Pacific

Railway Company and the Crown, authorized by Dominion Chapter 18, 1915, The Lake Superior Branch, extending from Lake Superior Junction to Fort William, including terminal facilities, was leased to the Dominion Government for 999 years from May 1, 1915, at an annual rental of \$600,000.

Under Dominion P.C. 1529, June 5, 1917, Canadian Government Railways was divided into Eastern and Western Lines, and C. A. Hayes was appointed General Manager of the Eastern Lines, and F. P. Brady was appointed General Manager of the Western Lines.

Under Dominion P.C. 2854, November 20, 1918, the Order in Council appointing Mr. Hayes and Mr. Brady as General Managers was rescinded and, with a view to attaining a maximum of economy and efficiency in the operation of the Canadian Government Railways and of the Canadian Northern Railway System, the persons from time to time comprising the Board of Directors of The Canadian Northern Railway Company were appointed a Board of Management of Canadian Government Railways and given the powers vested in the General Manager under the general regulations of the Canadian Government Railways adopted by Dominion Order in Council P.C. 184, January 22, 1914.

Dominion P.C. 3122, December 20, 1918, refers to the established use of the term "Canadian Northern Railway System" as a descriptive (but not incorporative) title for all lines of railway owned or controlled by The Canadian Northern Railway Company and also to the use of the name "Canadian Government Railways" which is also merely one of description, and states that as a matter of convenience in connection with the operation of both Canadian Northern Railway System and Canadian Government Railways under one management the use of one name as a collective or descriptive title for both Systems is highly desirable, and directed that the name "Canadian National Railways" be used as a collective or descriptive designation in lieu of the name Canadian Northern Railway System and Canadian Government Railways in respect of the whole of the lines of railway and railway properties controlled or operated by the Board of Directors of The Canadian Northern Railway Company; provided that deeds, leases, agreements and documents of all kinds requiring execution under seal shall continue to be drawn and executed under the respective corporate names of the corporations (including the Crown) owning or entitled to the properties affected thereby.

Dominion Act 9-10 George V, Chapter 13, June 6, 1919, removed Canadian Government Railways from the provisions of the Government Railways Act with respect to the operation of a railway (as distinguished from the provisions respecting the construction or maintenance of a railway) and the provisions of the Railway Act became applicable. This Act also provided that the Railway Act would apply to Canadian Government Railways re construction of lines.

Dominion Act 9-10 George V, Chapter 13, 1919, also enacted that the fiscal year in respect of the Canadian Government Railways shall cover the period from January 1<sup>st</sup> in one year to December 31<sup>st</sup> of the same year.

Dominion Act 9-10 George V, Chapter 13, 1919, also provided that all expenses incurred in connection with the operation or management of the Canadian Government Railways shall be paid out of the receipts and revenues of the Canadian Government Railways, and that in the event of a deficit occurring such deficit shall from time to time

be payable by the Minister of Finance out of any unappropriated moneys in the Consolidated Revenue Fund of Canada, the amounts so paid to be included in the estimates submitted to Parliament at its first session in the following fiscal year, and in the event of a surplus existing at the close of any fiscal year such surplus shall be paid into the Consolidated Revenue Fund of Canada.

Dominion P.C. 2482, December 13, 1919, declared Hudson Bay Railway to be part of Canadian Government Railways.

By authority of Dominion Act 6-7 George V, Chapter 22, May 18, 1916, Dominion P.C. 2411, December 1, 1919, and Deed of sale executed on April 29, 1920, the Lotbiniere and Megantic Railway extending from Lyster to Saint Jean Des Chaillons was acquired as of April 1, 1920, for the sum of \$330,000 plus interest at 5% per annum from April 1, 1920, to date of payment.

By authority of Dominion Act 6-7 George V, Chapter 22, May 18, 1916, Dominion P.C. 478, March 4, 1919, Dominion P.C. 721, April 5, 1919, and Dominion P.C. 1988, September 24, 1919, the Quebec and Saguenay Railway extending from its junction with the Quebec Montmorency and Charlevoix Railway at St. Joachim to Nairn Falls, was acquired and entrusted to the Board of Directors of The Canadian Northern Railway Company for management and operation. The railway was operated by the Contractors actually until October 8, 1920, when it was finally inspected and taken over.

In 1920 the Province of New Brunswick, which owned the Capital Stock of Saint John and Quebec Railway Company, completed construction of the railway line from Westfield Beach, NB to Centreville, NB, 157.92 miles, and pursuant to Agreement of March 5, 1912, authorized by Dominion Act 2, George V, Chapter 49, April 1, 1912, the line was leased to the Dominion Government for a term of 99 years. The line was operated by Canadian Government Railways, under lease, until September 1, 1929 when the property was purchased by Canadian National Railway Company.

Under Dominion Order in Council P.C. 115, dated January 20, 1923, authorized by Dominion Act 9-10 George V, Chapter 13, 1919, the powers of General Manager in respect of the Canadian Government Railways heretofore entrusted to the Board of Directors of The Canadian Northern Railway Company were terminated, and management and operation of Canadian Government Railways was entrusted to the Board of Directors of Canadian National Railway Company. The lines so entrusted included the following:

The Intercolonial Railway,  
National Transcontinental Railway,  
Prince Edward Island Railway,  
Hudson Bay Railway,  
The Lake Superior Branch - leased from The G.T.P. Railway Company;  
and all other railways and branch lines, the title to which, and to the lands and properties whereon such railways are constructed, is vested in the Crown.

In 1926, construction work on Hudson Bay Railway (which had been suspended in 1918 due to financial stringency and the more important problems issuing from the Great War, after completion of the line to about Kettle Rapids) was resumed.

Under Dominion Order in Council P.C. 974, June 25, 1926 entrustment to Canadian National Railway Company for management and operation of the Hudson Bay

Railway was withdrawn, and contract was entered into for rehabilitation and completion of the line by Canadian National Railway Company as agent of the Minister of Railways and Canals.

Under Dominion Order in Council P.C. 1100, June 27, 1929 the Agreement whereby the Hudson Bay Railway was operated by Canadian National Railway Company as agent of the Minister of Railways and Canals was renewed. Since April 1, 1935 the Department of Transport provided separate appropriations for the Operating Deficit and for Additions and Betterments to the property.

Since January 1, 1933 the accounts respecting the operation of the Prince Edward Car Ferry and Terminals at Borden, PEI, and Tormentine, NB, have been maintained separately to comply with Dominion Order in Council P.C. 904 dated May 16, 1933.

Effective January 1, 1938 the cost of operating the Prince Edward Island Ferry Service has been provided as a direct obligation of the Government, and separate appropriations are provided in the Estimates of the Department of Transport to cover the operating deficit. Amounts received from the Government in this respect are credited to railway operating revenues. Consequently, the net result in the railway accounts is the same as though the revenues and expenses relating to operation of the Car Ferry Service were excluded from the railway accounts.

#### "CANADIAN GOVERNMENT MERCHANT MARINE, LIMITED"

**INCORPORATED:** Canadian Government Merchant Marine, Limited was incorporated under Dominion Letters Patent issued December 30, 1918.

<b>CAPITAL STOCK:</b>	Authorized	\$1,000,000
	Issued	660,900
	Cancelled	660,100
	Outstanding, Directors shares	800

Early in 1918 there was a serious depletion of World shipping and the Dominion Government decided there was an imperative need for Canada to create, own and operate a strong merchant marine of her own. Consequently under Government appropriations orders were placed with fourteen shipbuilding firms in Canada for the construction of a fleet of sixty-three cargo vessels representing six standard types having a deadweight of 380,736 tons. In addition three vessels having a deadweight of 10,476 tons were transferred by the Department of Railways and Canals making a total of sixty-six vessels with a total deadweight of 391,212 tons. The original cost of the sixty-six vessels was \$79,521,932.32 or an average of \$203. per deadweight ton.

<b>CONSTRUCTION:</b>	The Canadian Government Merchant Marine Fleet was constructed as follows:	
	<u>Vessels</u>	<u>D.W. Tonnage</u>
Canadian Vickers Limited, Montreal, QC	12	93,253
Collingwood Shipbuilding Company,		
Collingwood & Kingston, ON	9	35,690
Wallace Shipyards Limited, Vancouver, BC	6	36,256
Port Arthur Shipbuilding Company, Limited,		

Tidewater Shipbuilding Company, Port Arthur, ON	7	26,705
J. Coughlin and Sons, Vancouver, BC	4	20,010
Nova Scotia Steel and Coal Company, Three Rivers, QC	6	50,181
Davie Shipbuilding Company, Levis, QC	3	8,336
British American Shipbuilding Company, Welland, ON	3	18,517
Halifax Shipyards Limited, Halifax, NS	2	9,109
Harbour Marine Company, Victoria, BC	4	38,050
Dominion Shipbuilding Company, Toronto, ON	2	16,846
Prince Rupert Dry Dock Company, Prince Rupert, BC	2	7,319
Midland Shipbuilding Company Midland, ON	2	16,625
<b>Total Vessels</b>	<b>63</b>	<b>380,736</b>
Transferred from Department of Railways and Canals	3	10,476
<b>Total C.G.M.M. Fleet</b>	<b>66</b>	<b>391,212</b>

#### OPERATIONS:

An Order in Council, P.C. 575, was issued March 16, 1920, providing for that all vessels on completion should be turned over to the Canadian Government Merchant Marine, Limited for operation.

The arrangement made provided that each vessel on completion should be sold to a separate owning Company bearing the same as that of the vessel, such as "Canadian Voyageur, Limited" etc., the Government receiving in payment therefor demand notes for the cost price of the vessel, bearing interest at 5½% per annum secured by a mortgage on the vessel, and all of the issued Capital Stock of the Company. Under this arrangement sixty-six "Owning Companies" were organized; sixty-four with an authorized capital of \$40,000 each, and two with an authorized capital of \$100,000 each. A capital of \$10,000 was issued by each Company, a total of \$660,000, and a mortgage obligation to the Dominion for the cost price of each vessel. The Dominion Government turned over the stock of the "owning companies" to the Canadian Government Merchant Marine, Limited, in exchange for an equal amount of Canadian Government Merchant Marine Company Limited stock. In all \$660,000 C.G.M.M. Limited stock was issued to the Dominion Government. This issued share capital was reduced as the vessels were disposed of.

The first unit of the Fleet "The Canadian Voyageur" built by Canadian Vickers Limited was delivered to the Company on February 22, 1919 and sailed February 27, 1919 from Halifax on her maiden voyage with a general cargo to the West Indies.

During the years 1919 and 1920, regular sailings were established to the United Kingdom, South America, the West Indies, as well as other sailings to French Ports, and in the Newfoundland coastal trade. During these two years there were substantial operating profits excluding interest and depreciation charges.

However with the delivery of the full complement of sixty-six ships in 1921 there was a decided drop in ocean rates, in some cases reaching as much as 50%, and the

best rates obtainable were only sufficient to pay operating expenses. In addition there was a decided decline in business, while outward tonnage was fairly well maintained, the inward business especially that originating from Europe fell away to such an extent that homeward cargoes were almost impossible to obtain, resulting in losses on many voyages.

From the experience gained during the first three years of operation the Directors recommended the disposal of all the smaller type vessels. The Government adopted this policy and at the end of 1933 the disposal of these vessels was fully accomplished. It was also recommended in 1921 that the ledger cost of the other vessels should be reduced to a figure representing their present day replacement value. When these vessels were constructed the average price of the fleet was \$203 per deadweight ton, however, in 1921 \$75 per ton seemed a fair price, but this recommendation was not carried out. In 1930 it was considered doubtful that the vessels could be sold for more than \$10 per deadweight ton. In disposing of the fleet of 66 ships, 56 vessels, having a deadweight of 327,793 tons were sold for \$2,368,439.51 or an average of \$7.23 per ton.

A further recommendation was made that interest due the Government should be payable only if earned after allowing for depreciation, and that such remission of interest should be applicable for a period of five years. This recommendation was made in view of the Company establishing new routes for Canada's export trade which were profitable in the early stages, but suffered during the business depression following the war.

Unlike old established business the new Company was unable to build up reserves to finance interest payments in times of depression. However, no action was taken on this recommendation and interest and depreciation were accumulated on the original war time costs. The following table shows the charges for depreciation and interest due the Government 1919 to 1936:

Interest accrued but not paid	\$51,325,205
Depreciation accrued	31,119,959
Interest cancelled on vessels sold	42,708,568
Depreciation cancelled on vessels sold	<u>3,119,959</u>
Net accrued interest not paid	8,426,637
Operating Profit and Loss	<u>8,099,086</u>
<b>Net Change in Profit and Loss Account</b>	<b>\$16,525,723</b>

As a result of the service operated by the Canadian Government Merchant Marine, Limited to Australia, New Zealand and Newfoundland the Canadian Government effected an annual saving of \$156,500 formerly paid in subsidies to other companies for which no credit appears in the Balance Sheet of the Canadian Government Merchant Marine.

The service to Australia and New Zealand was maintained continuously until April 1936 when the last ten vessels were taken over by the Montreal, Australia and New Zealand line:

Sailings to South American Ports commenced in 1919 but were discontinued in 1921 owing to the falling off in cargoes. In 1929, at the request of the Department of Trade sailings to South American were resumed with an annual subsidy of \$120,000 for guaranteed monthly sailings, but owing to lack of homeward cargoes the service was

discontinued early in 1933.

The Intercoastal Service, which was commenced in 1924 to develop the British Columbia lumber business in eastern Canada was discontinued at the end of 1932, as the principal supporter had decided to go into steamship operation and there was not sufficient business from other shippers to warrant continuing the service.

The service to the United Kingdom from Atlantic Ports was maintained until 1929 when it became impossible to operate this service with the obsolete ships at the Company's disposal in competition with the up-to-date ships then being operated by other steamship companies.

The Pacific Coast Service to California was maintained until 1929, when paper shippers having made other arrangements, the service had to be discontinued.

The Pacific Coast Service to Australia, the Orient and India was commenced in 1920, in order to promote the British Columbia Lumber Business, but was forced to discontinue some time afterwards because of the low rates on outward cargoes and the lack of homeward cargoes.

The Canadian National Steamships Act 1927, Act 17 George V, Chapter 29, assented to March 31, 1927, established the West Indies Service Section 11 reads as follows:

The Company, the Canadian Government Merchant Marine, Limited, the Canadian National Steamships, Limited and any other Company which is in any manner allied with the Canadian National Railways may in connection with the operation of their respective boats or vessels use the name "Canadian National Steamships" as a collective or descriptive designation of all boats or vessels operated from time to time in conjunction with the Canadian National Railways, without, however, affecting the rights or liabilities of the respective Companies owning the boats or vessels for any of their respective acts or omissions. All boats or vessels operated under the name "Canadian National Steamships" may adopt a common house "flag."

Note: "The Company" signified Canadian National (West Indies) Steamships, Limited.

In 1936 the ten vessels in service were considered unsatisfactory and were fast becoming obsolete, and due to the heavy losses sustained in operation, the Government was not desirous of constructing new vessels, therefore, negotiations were entered into with three British Lines: Ellerman and Bucknell Steamships, Limited, Commonwealth and Dominion Line, and New Zealand Shipping Company, to take over the Australia and New Zealand Service and purchase the vessels. An agreement was entered into on April 27, 1936 between the Dominion Government and the three Steamship Companies above mentioned under which the Steamship Companies agreed to purchase these ten vessels at the rate of \$4,7692 per deadweight ton. Nine of these vessels having a deadweight tonnage of 80,180 were sold for \$379,865. One of the boats, the S.S. *Canadian Planter* was damaged in collision on May 3, 1936 prior to arrival in Montreal and was excluded from the vessels sold, but was subsequently sold for \$19,000 at sheriffs sale.

With the transfer of the S.S. *Canadian Cruiser* on September 14, 1936 the affairs of the Canadian Government Merchant Marine, Limited were liquidated except for

some minor transactions, but the charter of the Company has not been surrendered.

#### SCHEDULE OF DELIVERY OF VESSELS

<u>Vessel</u>	<u>Built By</u>	<u>Built at</u>	<u>Delivery Date</u>	<u>D.W. Tons</u>
Canadian Voyageur	Canadian Vickers, Limited	Montreal	February 22, 1919	4,575
Canadian Warrior	Collingwood S.B. Company	Collingwood	April 26, 1919	3,995
Canadian Pioneer	Canadian Vickers, Limited	Montreal	May 9, 1919	8,408
Canadian Ranger	Canadian Vickers, Limited	Montreal	May 22, 1919	8,382
Canadian Recruit	Collingwood S.B. Company	Collingwood	June 7, 1919	3,964
Canadian Volunteer	Wallace Shipyards Limited	Vancouver	June 19, 1919	4,496
Canadian Trader	Port Arthur S.B. Company Limited	Port Arthur	July 17, 1919	3,341
Canadian Trooper	Wallace Shipyards Limited	Vancouver	August 6, 1919	4,540
Canadian Sailor	Port Arthur S.B. Company Limited	Port Arthur	August 6, 1919	3,357
Canadian Seigneur	Canadian Vickers, Limited	Montreal	August 14, 1919	8,391
Canadian Signaller	Collingwood S.B. Company	Collingwood	August 30, 1919	3,975
Canadian Miller	Canadian Vickers, Limited	Montreal	September 24, 1919	8,390
Canadian Adventurer	Port Arthur S.B. Company Limited	Port Arthur	October 29, 1919	3,408
Canadian Gunner	Collingwood S.B. Company	Collingwood	November 5, 1919	3,978
Canadian Aviator	Wallace Shipyards Limited	Vancouver	November 15, 1919	5,166
Canadian Sower	Port Arthur S.B. Company Limited	Port Arthur	November 17, 1919	3,406
Canadian Navigator	Canadian Vickers, Limited	Montreal	November 22, 1919	4,581
Canadian Settler	Tidewater S.B. Company	Three Rivers	December 1, 1919	4,918
Canadian Spinner	Canadian Vickers, Limited	Montreal	December 6, 1919	8,393
<b>Total to December 31, 1919 in operation</b>		<b>19</b>		<b>99,664</b>
Canadian Raider	Wallace Shipyards Limited	Vancouver	January 17, 1920	5,781
Canadian Importer	J. Coughlin and Sons	Vancouver	February 5, 1920	8,381
Canadian Exporter	J. Coughlin and Sons	Vancouver	March 6, 1920	8,380
Canadian Farmer	Collingwood S.B. Company	Collingwood	April 28, 1920	3,964
Canadian Miner	N.S. Steel and Coal Company	New Glasgow	May 7, 1920	2,778
Canadian Planter	Canadian Vickers, Limited	Montreal	May 7, 1920	8,399
Canadian Beaver	Collingwood S.B. Company	Kingston	May 11, 1920	3,973
Canadian Sealer	N.S. Steel and Coal Company	New Glasgow	May 12, 1920	2,777
Canadian Observer	Collingwood S.B. Company	Collingwood	June 14, 1920	3,982
Canadian Prospector	J. Coughlin and Sons	Vancouver	June 15, 1920	8,367
Canadian Trapper	Davie S.B. Company	Levis	June 25, 1920	5,054
Canadian Rancher	Tidewater S.B. Company	Three Rivers	July 11, 1920	4,892
Canadian Inventor	J. Coughlin and Sons	Vancouver	July 17, 1920	8,350
Canadian Hunter	Davie S.B. Company	Levis	August 10, 1920	5,021
Canadian Otter	British American S.B. Company	Welland	August 18, 1920	4,555
Canadian Victor	Canadian Vickers, Limited	Montreal	August 25, 1920	8,433
Canadian Conqueror	Canadian Vickers, Limited	Montreal	September 30, 1920	8,407
Canadian Runner	Port Arthur S.B. Company Limited	Port Arthur	October 4, 1920	4,573
Canadian Carrier	Port Arthur S.B. Company Limited	Port Arthur	October 15, 1920	4,620
Canadian Squatter	British American S.B. Company	Welland	November 11, 1920	4,554
Canadian Rover	Collingwood S.B. Company	Collingwood	November 17, 1920	3,920
Canadian Mariner	Halifax Shipyards, Limited	Halifax	November 27, 1920	8,340
Canadian Winner	Harbour Marine Company	Victoria	November 29, 1920	8,407
Canadian Highlander	Wallace Shipyards Limited	Vancouver	December 15, 1920	8,449
Canadian Sapper	N.S. Steel and Coal Company	New Glasgow	December 18, 1920	2,781

Under authority of Order in Council P.C. 640 issued March 29, 1920, the Department of Railways and Canals transferred on April 1, 1920, to the Canadian Government Merchant the following:

Marine, Limited	
Sheba	3,400
Thomas J. Drummond	3,501



J. A. McKee	3,575
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<b>Total to December 31, 1920 in operation</b>	<b>47</b>	<b>256,678</b>
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Canadian Fisher	Tidewater S.B. Company	Three Rivers	January 20, 1921	5,100
Canadian Explorer	Halifax Shipyards Limited	Halifax	February 24, 1921	8,341
Canadian Forester	Tidewater S.B. Company	Three Rivers	February 26, 1921	5,100
Canadian Traveller	Harbour Marine Company	Victoria	April 9, 1921	8,439
Canadian Commander	Canadian Vickers, Limited	Montreal	April 26, 1921	8,439
Canadian Coaster	Collingwood S.B. Company	Kingston	May 5, 1921	3,939
Canadian Leader	Canadian Vickers, Limited	Montreal	May 6, 1921	8,456
Canadian Skirmisher	Wallace Shipyards Limited	Vancouver	May 16, 1921	8,424
Canadian Harvester	Port Arthur S.B. Company Limited	Port Arthur	May 17, 1921	4,000
Canadian Pathfinder	Dominion S.B. Company	Toronto	July 18, 1921	3,640
Canadian Engineer	Dominion S.B. Company	Toronto	August 26, 1921	3,679
Canadian Scottish	Prince Rupert Dry Dock Company	Prince Rupert	August 27, 1921	8,100
Canadian Logger	Midland S.B. Company	Midland	October 11, 1921	3,839
Canadian Transporter	J. Coughlin and Sons	Vancouver	October 22, 1921	8,356
Canadian Challenger	Davie S.B. Company	Levis	October 22, 1921	8,423
Canadian Britisher	Prince Rupert Dry Dock Company	Prince Rupert	November 15, 1921	8,100
Canadian Cruiser	Halifax Shipyards Limited	Halifax	November 22, 1921	10,682
Canadian Pathfinder	J. Coughlin and Sons	Vancouver	December 18, 1921	8,347
Canadian Constructor	Halifax Shipyards Limited	Halifax	January 29, 1922	10,500
<b>Total Received</b>		<b>66</b>		<b>390,582</b>

Upward adjustment made in Dead Weight Tonnage in 1932	<u>630</u>
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<b>Total Received</b>	<b>391,812</b>
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#### Deductions

Canadian Exporter	Lost at sea July 31, 1921	8,380
Canadian Recruit	Sunk in collision August 18, 1921	3,964
Lost in 1921	2	12,544

<b>Fleet as at December 31, 1922</b>	<b>64</b>	<b>379,468</b>
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#### DISPOSAL OF VESSELS

Fleet as at December 31, 1922 - 64 ships of 378,238 tons Deadweight

		<u>1923</u>	<u>Tons</u>
Thomas J. Drummond	Sold	Patterson S.S. Company, Fort William, ON.	3,501
J. A. McKee	Sold	Patterson S.S. Company, Fort William, ON.	3,575
Sheba	Sold	Manor S.S. Company, Bristol, England	3,400

		<u>1924</u>	
Canadian Logger	Sold	Sir Thomas Wilson, Belfast, Ireland	3,839
Canadian Miner	Sold	W. Hanson, Norway	2,778
Canadian Sealer	Sold	W. Hanson, Norway	2,777

		<u>1925</u>	
Canadian Pathfinder	Sold	Patterson S.S. Company, Fort William, ON.	3,640
Canadian Engineer	Sold	Patterson S.S. Company, Fort William, ON.	3,679
Canadian Adventurer	Sold	James Playfair, Midland, ON.	3,408
Canadian Sailor	Sold	James Playfair, Midland, ON.	3,357
Canadian Signaller	Sold	James Playfair, Midland, ON.	3,975

Canadian Sower	Sold	James Playfair, Midland, ON.	3,406
Canadian Trader	Sold	James Playfair, Midland, ON.	3,341
Canadian Warrior	Sold	James Playfair, Midland, ON.	3,995
Canadian Navigator	<u>Lost</u>	James Playfair, Midland, ON.	4,581
<u>1926</u>			
Canadian Gunner	Sold	Canadian Atlantic Transit Company	3,978
Canadian Harvester	Sold	Canadian Atlantic Transit Company	4,000
Canadian Settler	Sold	Arbot S.S. Company, London, England	4,918
<u>1927 - NIL</u>			
<u>1928</u>			
Canadian Raider	Sold	Dominion Iron & Metal, Saint John, NB.	5,181
<u>1929</u>			
Canadian Aviator	Transferred	C.N. (W.I.) Steamships Limited	5,166
Canadian Carrier	Transferred	C.N. (W.I.) Steamships Limited	4,620
Canadian Hunter	Transferred	C.N. (W.I.) Steamships Limited	5,021
Canadian Otter	Transferred	C.N. (W.I.) Steamships Limited	4,555
Canadian Runner	Transferred	C.N. (W.I.) Steamships Limited	4,573
Canadian Sapper	Transferred	C.N. (W.I.) Steamships Limited	2,781
Canadian Volunteer	Transferred	C.N. (W.I.) Steamships Limited	4,496
Canadian Coaster	Sold	Kingsley Navigation Company, Vancouver, BC.	3,939
Canadian Fisher	Sold	Compania Naveira, Amaya, Spain	5,100
Canadian Forrester	Sold	Compania Naviera, Amaya, Spain	5,100
Canadian Observer	Sold	Kingsley Navigation Company, Vancouver, BC.	3,982
Canadian Rancher	Sold	Compania Naviera, Amaya, Spain	4,892
Canadian Rover	Sold	Kingsley Navigation Company, Vancouver, BC.	3,920
Canadian Trapper	Sold	Compania Naviera, Amaya, Spain	5,054
<u>1930</u>			
Canadian Trapper	Sold	G. Paus Knudsen, Norway	4,540
<u>1931</u>			
Canadian Pathfinder	Transferred	C.N. (W.I.) Steamships Limited	8,347
Canadian Skirmisher	Transferred	C.N. (W.I.) Steamships Limited	8,424
Canadian Transporter	Transferred	C.N. (W.I.) Steamships Limited	8,357
Canadian Beaver	Sold	Captain Redfern, Colborne, ON.	3,973
Canadian Farmer	Sold	Captain Redfern, Colborne, ON.	3,964
Canadian Commander	Sold	A. Lauro, Italy	8,439
Canadian Explorer	Sold	A. Lauro, Italy	8,341
Canadian Traveller	Sold	A. Lauro, Italy	8,439
Canadian Miller	Sold	A.S. Onassis, Buenos Ayres, S.A.	8,390
Canadian Ranger	Sold	Dominion Shipping Company, Vancouver, BC.	8,382
<u>1932</u>			
Transferred back to Canadian Government Merchant Marine Company by C.N. (W.I.) S.S. Limited in 1932:			
Canadian Carrier			4,620
Canadian Otter			4,555
Canadian Runner			4,573
Canadian Volunteer			4,496
<u>1933</u>			
Canadian Carrier	Sold	Carribean S.S. Company, Montreal, QC.	4,620
Canadian Importer	Sold	B.C. Shipping Agencies, Vancouver, BC.	8,381
Canadian Inventor	Sold	Sun Shipping Company, London, England	8,350
Canadian Mariner	Sold	Sun Shipping Company, London, England	8,340

Canadian Otter	Sold	Carribean S.S. Company, Montreal, QC.	4,555
Canadian Prospector	Sold	Captain W. Ogilvie, Liverpool, NS.	8,367
Canadian Runner	Sold	Maraga S.S. Company	4,573
Canadian Seigneur	Sold	Sun Shipping Company, London, England	8,391
Canadian Spinner	Sold	A.S. Onassis, Buenos Ayres, S.A.	8,393
Canadian Squatter	Sold	International Waterways, Montreal, QC.	4,554
Canadian Volunteer	Sold	Webster and Sons, Kingston, Jamaica, W.I.	4,496
Canadian Winner	Sold	Dominion Shipping Company, Vancouver, BC.	8,407

<u>1934</u>			
Canadian Pioneer	Sold	A. A. Norris, Montreal, QC.	8,408

1935 - NIL

<u>1936</u>			
Canadian Britisher	Sold	Montreal, Australia & N.Z. Line, Montreal, QC	8,320
Canadian Challenger	Sold	Montreal, Australia & N.Z. Line, Montreal, QC	8,442
Canadian Conqueror	Sold	Montreal, Australia & N.Z. Line, Montreal, QC	8,407
Canadian Constructor	Sold	Montreal, Australia & N.Z. Line, Montreal, QC	10,687
Canadian Cruiser	Sold	Montreal, Australia & N.Z. Line, Montreal, QC	10,682
Canadian Highlander	Sold	Montreal, Australia & N.Z. Line, Montreal, QC	8,449
Canadian Leader	Sold	Montreal, Australia & N.Z. Line, Montreal, QC	8,455
Canadian Planter	Sold	Montreal, Australia & N.Z. Line, Montreal, QC	8,399
Canadian Scottish	Sold	Montreal, Australia & N.Z. Line, Montreal, QC	8,305
Canadian Victor	Sold	Montreal, Australia & N.Z. Line, Montreal, QC	8,433

**Fleet at December 31, 1936**

**NIL**

Note: The foregoing figures require an adjustment of 630 tons for increase in deadweight tonnage of various vessels.

<u>No.</u>	<u>D.W. Tons</u>	<u>Disposal</u>	<u>Original Cost</u>	<u>Net Receipts</u>	<u>Loss to C.G.M.M.</u>
56	327,793	By Sale	\$66,974,059.72	\$2,368,439.51	\$64,605,620.21
4	25,324	Lost	5,143,710.67	2,111,474.93	3,032,235.74
6	38,095	Transferred	7,404,161.93	933,071.83	6,471,090.10
66	391,212		\$79,521,932.32	\$5,412,986.27	\$74,108,946.05

Other Construction Costs not accepted by C.G.M.M.

139,989.46	139,989.46
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<b>Grand Total</b>	<b>\$79,661,921.78</b>	<b>\$5,412,986.27</b>	<b>\$74,248,935.51</b>
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**COST TO THE DOMINION OF CANADA**

Original Investment per C.G.M.M.	Accounts	\$79,521,932.32	\$79,661,921.78
Other construction costs not accepted by C.G.M.M.		139,989.46	79,661,921.78
Recovered through Sales		2,368,439.51	
Recovered through Insurance		2,111,474.93	
Recovered through Transfer to West Indies Company		<u>933,071.83</u>	<u>5,412,986.27</u>
Loss on Capital account			\$74,248,935.51

Profit and Loss deficit as at December 31, 1936	16,525,723.64	
Less interest on Government Loans	<u>8,426 637.44</u>	
Loss on operating account		\$ 8,099,086.20
Cost to the Dominion of Canada, exclusive of interest on Capital		\$82,348,021.71

PROFIT AND LOSS ACCOUNT

<u>Year ending December 31</u>	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Operating Profit or Loss</u>	<u>Other Charges</u>	<u>Total Profit or Loss</u>
1919	\$ 2,770,919	\$ 1,714,152	\$1,056,767	\$415,358	\$641,409
1920	10,001,370	8,738,063	1,263,307	597,416	665,891
1921	10,749,995	13,075,900	-2,325,905		-2,325,095
1922	9,764,877	12,234,966	-2,470,089		-2,470,089
1923	8,988,749	10,862,445	-1,873,696		-1,837,696
1924	8,810,775	10,261,663	-1,450,888		-1,450,888
1925	9,840,069	10,766,913	-926,844		-926,844
1926	10,955,437	11,045,597	-90,160		-90,160
1927	10,234,570	10,955,305	-720,735		-720,735
1928	9,112,511	10,321,594	-1,209,083		-1,209,083
1929	8,371,441	9,250,348	-878,907		-878,907
1930	5,164,903	5,999,114	-834,211		-834,211
1931	3,789,229	4,233,574	-444,345		-444,285
1932	2,261,756	2,588,369	-326,613	77,151	-403,764
1933	2,229,897	2,247,836	-17,939	-1,994,533	1,976,594
1934	2,302,559	2,429,825	-127,266	-998,460	871,194
1935	2,764,549	2,452,727	311,826		311,826
1936	2,216,441	1,192,136	303,505	-759,066	1,062,571
<b>Total</b>	<b>\$120,330,047</b>	<b>\$130,370,527</b>	<b>-\$10,040,480</b>	<b>-\$7,378,346</b>	

The Insurance Fund was appropriated by the Dominion Government to reduce the indebtedness to the Government as follows:

1933	\$3,000,000
1934	1,000,000
1936	<u>800,000</u>
<b>Total</b>	<b>4,800,000</b>

This accounts for the credit charges shown in other charges for these three years.

The Canadian Government Merchant Marine, Limited as incorporated on June 30<sup>th</sup>, 1918 and granted the trade name "Canadian National Steamships" by Chapter 29, 1927 remains in existence with a panel of Canadian National Railways officers for the sole purpose of winding up any out-standing claims against the ships of the fleet. Such ships were incorporated individually by Dominion Letters Patent. The Company today has no remaining assets.

DIRECTORS

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Wilfrid Gagnon  
J. A. Northey  
J. R. Griffith  
W. G. Stewart  
H. W. Marsh

OFFICERS

Donald Gordon	President
N. J. MacMillan	Executive Vice-President
S. F. Dingle	Vice-President
R. H. Tarr	Vice-President & Secretary
J. A. Sauve	General Manager
P. A. Kelly	Assistant General Manager
J. M. Young	Assistant Secretary
E. J. Denyar	Treasurer
L. J. Mills	Comptroller

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The Canadian Government Merchant Marine, Limited as incorporated on June 30<sup>th</sup>, 1918 and granted the trade name "Canadian National Steamships" by Chapter 29, 1927 remains in existence with a panel of Canadian National Railways officers for the sole purpose of winding up any out-standing claims against the ships of the fleet. Such ships were incorporated individually by Dominion Letters Patent. The Company today has no remaining assets.

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CANADIAN GOVERNMENT RAILWAYS  
"EMPLOYEES' RELIEF AND INSURANCE ASSOCIATION"

**ESTABLISHED:** This Association was established on May 1, 1890. Membership covered life insurance and sickness and accident benefits for employees on the lines known as the Canadian Government Railways, also for employees of system railway companies and Departments in the Atlantic Region. From December 1, 1959, membership covers life insurance only.

**HEAD OFFICE:** Canadian National Headquarters, Moncton, NB.

**MANAGEMENT:** The Association is administered by a Committee of Management consisting of seven members, four of whom are appointed by the Company and three elected by members of the Association.

**OBJECT OF ASSOCIATION:** The object of the Association is to provide a sum of money payable to members who become totally and permanently disabled or to the heirs or assigns of deceased members.

**RAILWAY PARTICIPATION:** In addition to the fees and levies paid each month by the members the Railway contributed annually the sum of \$15,000. In consideration of this contribution the Constitution, Rules and Regulations, were subject to approval by the Railway. After 1959 this contribution was discontinued. The Railway now bears all expenses incurred in the administration of the Association.

**MEMBERSHIP:** Membership is divided into three classes, class A members being covered for \$1,000 life insurance, class B for \$500 and class C for \$250. Membership at December 31, 1960, was as under:-

Class A	6,418
Class B	1,686
Class C	<u>3,640</u>
	<b>11,744</b>

The total life insurance in force at December 31, 1960, was \$8,171,000. From December 1, 1959, the Association was closed to new members.

**TRUST FUND:** Canadian National Railway Company Directors' minute of April 29, 1948, resolved that at the request of the Canadian Government Railways Employees' Relief and Insurance Association the Canadian National will act as Trustee of the Association to receive and hold in trust securities bonds, debentures, and funds of the Association, to manage, sell, invest and re-invest the same on behalf of the Association and to pay over monies to the Association, from time to time, at the request of the Association, it being understood that the Canadian National shall only be required to account for and be responsible to the Association for securities, bonds, debentures and monies of the Association which are actually received by the Canadian National, as Trustee, and shall not be responsible in any way for the disposition of monies paid over to the Association. The investments to be made by the Trustee are limited to Canadian Government securities, or securities guaranteed by the Canadian Government.

"CANADIAN NATIONAL ELECTRIC RAILWAYS"

(included in Canadian National Railway Company from June 11, 1956)

**ORGANIZED:** December 26, 1923 - Dominion - by Amalgamation.

**HISTORY:** Under Amalgamation agreement dated November 7, 1923 (approved by Dominion Order in Council P.C. 2443 dated December 17, 1923) duplicate original counterpart thereof having been filed with the office of Secretary of State for Canada on December 26, 1923, "Canadian National Electric Railways" was formed by amalgamation of The Toronto Suburban Railway Company and The Toronto Eastern Railway Company effective on December 26, 1923.

By Agreement dated January 1, 1924, the Township of York took over 1.34 miles of line known as the Lambton Section (the price being \$20,982.76).

By Agreements dated October 1, 1925, and November 10, 1925, the Township of York and the Town of Weston took over 3.81 miles of line within their limits and terminated the franchises relating thereto (the price being \$32,500).

There then remained only two sections - Weston to Woodbridge, 7.53 miles, and Keele Street, Toronto to Guelph, 49.06 miles. On May 8, 1926 the Weston to Woodbridge line was abandoned and the rails lifted. The line from Keele Street, Toronto to Guelph was continued in operation until August 15, 1931, when the Company went into Receivership.

In 1928 Eldorado Park, between Cooksville and Georgetown, was purchased as an amusement park operated during the summer seasons for picnics, the investment expenditure to August 15, 1931, being \$54,890.29.

The Toronto Suburban Railway Company 4½% First Mortgage Debenture Stock issued July 15, 1911, and maturing July 15, 1961, and covered by Trust Deed, amounted to £540,000 (\$2,628,000) and remained outstanding in the hands of the Public. The Trustees under the Trust Deed dated July 15, 1911, were The British Empire Trust Company Limited, London. Due to continual operating losses Canadian National Electric Railways defaulted on the interest payment due July 15, 1931, and on August 15, 1931, The British Empire Trust Company was appointed "Receiver", succeeded by Wm. A. Walker on August 18, 1931.

On May 4, 1933, Canadian National Railway Company made an offer of 25 per cent payment for the Capital Stock. The offer was accepted and pursuant to Agreement dated January 10, 1934, between Canadian National Railway Company and The British Empire Trust Company Limited, upon payment of £25 cash for each £100 of Debenture Stock outstanding, i.e. £135,000 (\$657,000) for £540,000 (\$2,628,000), authorized by Dominion Chapter 28, 1934, the Trustees discharged the Trust Deed and released the remaining property and assets free and clear of all costs in full and final satisfaction of the principal and interest in respect of the First Mortgage Debenture Stock and of all claims by the Stockholders. Following this action the Receiver was discharged by Ontario Supreme Court Order dated September 13, 1935, and the Receiver surrendered all books and records in his possession on October 21, 1935.

**AMALGAMATION:**

Under Amalgamation agreements dated May 13, 1954, between Canadian National Electric Railways and eleven other companies also wholly owned by The Canadian Northern Railway Company (approved by Dominion Order in Council P.C. 1954-716 dated May 13, 1954) duplicate original counterparts thereof having been filed with the office of Secretary of State for Canada on June 8, 1954, Canadian National Electric Railways and the other 11 companies were amalgamated into one company under the name "Canadian Northern Consolidated Railways" effective June 8, 1954. The latter Company was amalgamated with Canadian National Railway Company June 11, 1956.

**CAPITAL STOCK:**

As at June 8, 1954:

Authorized	45,000 shares of \$100 each	\$4,500,000
Issued	17,500 shares of \$100 each	1,750,000

All owned by The Canadian Northern Railway Company, and upon Amalgamation on June 8, 1954 the outstanding Capital Stock was exchanged for Capital Stock of Canadian Northern Consolidated Railways of equal value.

**FUNDED DEBT:**

The Trust Deed dated July 15, 1911 respecting the 4½% First Mortgage Debenture Stock issued by The Toronto Suburban Railway Company on July 15, 1911 and maturing July 15, 1961, was discharged on September 13, 1935 by the Trustees, The British Empire Trust Company, Limited, in accordance with Agreement dated January 10, 1934, upon redemption of the outstanding securities by payment of 25% of the face value of the securities, and the expenses and disbursements of the Receiver and the Trustee.

"THE TORONTO SUBURBAN RAILWAY COMPANY"

**HISTORY:**

Under Ontario Letters Patent, November 12, 1890, "Weston, High Park and Toronto Street Railway Company (Limited)" was incorporated to build a street railway in Toronto, West Toronto Junction, and Townships of York and Etobicoke.

Under Ontario Act 54 Victoria Chapter 97, May 4, 1891, the name was changed to "The City and Suburban Electric Railway Company (Limited)".

Under Ontario Letters Patent, February 11, 1891, "Davenport Street Railway Company (Limited)" was incorporated.

By 1894 the Street Railway Construction Company Limited had constructed certain railway lines in the Town of Toronto Junction and adjoining municipalities, which The City and Suburban Electric Company (Limited) and Davenport Street Railway Company (Limited) were then operating, but balances were due for construction.

Under Ontario Act 57 Victoria Chapter 94, May 5, 1894, "Toronto Suburban Street Railway Company (Limited)" was incorporated for the purpose of acquiring, and subsequently acquired, the property, assets, rights, privileges and franchises of The City and Suburban Electric Railway Company (Limited) and Davenport Street Railway Company (Limited) which were in financial difficulties. The lines acquired at that time were located in the Town of Toronto Junction and adjoining municipalities and totalled approximately 7.5 miles. The mileage was increased by small additions to 9.84 miles prior to 1914. These were extended subsequently to Lambton Mills, Guelph, Weston and Woodbridge making a total of 66.15 miles.



According to R.P. Ormsby, former secretary of the Canadian Northern Railway Company, Mackenzie, Mann and Company Limited never acquired control of the Toronto Suburban Railway Company, but Sir William Mackenzie was personally interested in it from 1911 or perhaps a little earlier.

The Suburban Construction Company was organized by Mackenzie, Mann and Company Limited, and a charter was granted by Ontario Letters Patent dated May 17, 1911. The Company was formed to engage in construction work in general and in particular to construct the Toronto Suburban Railway. The charter of the Company was surrendered by Mr. R. P. Ormsby on February 27, 1929.

The Toronto Suburban Railway Company formed a part of the Mackenzie, Mann interests but was not a constituent company of the Canadian Northern System taken over by the Government in November 1917.

Under Agreement of January 11, 1919, between Sir William Mackenzie and The Canadian Northern Railway Company the railway acquired (as of June 30, 1917) the outstanding Capital Stock consisting of 15,000 shares of \$100 each - \$1,500,000, without cost, in consideration of which the railway undertook to arrange discharge of The Toronto Suburban Railway Company liabilities as disclosed by their Balance Sheet as of June 30, 1917. These liabilities amounted to \$670,135.27.

By Agreements between The Toronto Suburban Railway Company and the City of Toronto dated November 13, 1923, and December 14, 1923, authorized by Ontario Act 13-14 Victoria Chapter 95, May 8, 1923 and Dominion Act 13-14 Victoria Chapter 7, June 13, 1923, the City obtained releases from the railway of all rights, powers, privileges and franchises enabling the railway to construct, maintain and operate lines of railway upon or along highways within City of Toronto limits. The City also took over effective September 1, 1921, 5.94 miles of line comprising the lines in the city, including the line along Davenport Road, also the electric light and power system within the City limits (the price being \$130,317.24).

**AMALGAMATION:**

On December 26, 1923, The Toronto Suburban Railway Company and The Toronto Eastern Railway Company were amalgamated under the name of Canadian National Electric Railways.

**CAPITAL STOCK:**

As at December 26, 1923:

Authorized	30,000 shares of \$100 each	\$3,000,000
Issued	15,000 shares of \$100 each	1,500,000

By Agreement of January 11, 1919, with Sir William Mackenzie, The Canadian Northern Railway Company acquired the Capital Stock as of June 30, 1917, in consideration of the railway undertaking to arrange discharge of the Company's liabilities as of June 30, 1917. These liabilities amounted to \$670,135.27. Upon Amalgamation on December 26, 1923 the outstanding Common Stock was exchanged for Common Stock of Canadian National Electric Railways of equal value.

**NON-NEGOTIABLE DEBT:**

As at August 15, 1931:

Advances by Canadian National Railways (including deficits to the same date of

\$2,500,618.37, assumed by The Canadian Northern Railway).      \$3,121,114.40

**"THE TORONTO EASTERN RAILWAY COMPANY"**

**HISTORY:**

Under Dominion Act 9-10 Edward VII, Chapter 167, May 4, 1910, "The Toronto Eastern Railway Company" was incorporated to construct and operate a railway from Toronto, via Whitby, Oshawa and Bowmanville to Cobourg; with branches to Peterborough, Lindsay, Markham, Stouffville or Uxbridge, etc., declared to be works for the general advantage of Canada. The line was projected as an electric railway. In 1905-1906, when The Canadian Northern Railway Company was locating its Ottawa - Toronto line, it was found expedient in order to obtain desirable grades to build north of the Towns of Whitby, Oshawa and Bowmanville. These communities opposed the plan, making their objection known to the Minister of Railways and Canals, but withdrew their opposition upon the promise given them of an electric railway being built as above outlined.

According to R.P. Ormsby, former Secretary of the Canadian Northern Railway Company, Mackenzie Mann and Company, Limited, never acquired control of the Toronto Suburban Railway Company, but Sir William Mackenzie was personally interested in it from 1911 or perhaps a little earlier.

On May 16, 1911, the organization meeting was held, and 2500 shares were issued on which 10% was paid.

Under construction agreement dated October 7, 1915 the Toronto Suburban Railway Company, the Company agreed to issue 240,000 fully paid up shares to Mackenzie Mann and Company, Limited, being part of the issue of May 16, 1911 on which 10% cash had been paid up in cash, and the balance under the construction contract, \$10,000 paid up only 10% in cash. The railway was constructed between Bowmanville and Whitby 14.6 miles, and grading was done from Whitby to Pickering 5.00 miles, when conditions brought on by World War I brought construction to a stop.

The Stock was therefore issued to Mackenzie, Mann and Company, Limited \$240,000 of which 10% was paid in cash and the balance under the construction contract.

The Toronto Eastern Railway Company formed a part of the Mackenzie, Mann interests but was not a constituent company of the Canadian Northern System taken over by the Government in November 1917. It was acquired by The Canadian Northern Railway Company under authority of Dominion Order in Council P.C. 2331 of September 23, 1918, by payment of the cost of construction (\$761,649.15) to date of acquisition.

Negotiations for the sale of this line to Hydro-Electric Power Commission of Ontario took place in 1920 and 1921. The price was to be \$706,000 but the sale was never consummated as the Government of the Province of Ontario refused its consent, without which the Hydro-Electric Power Commission could not make the purchase.

**AMALGAMATION:**

On December 26, 1923, this company was amalgamated with The Toronto Suburban Railway Company under the name of Canadian National Electric Railways.

**PROPERTY INVESTMENT:**

Investment in Road and Equipment to December 26, 1923 (date of Amalgamation under the name of Canadian National Electric Railways) was \$959,938.44, including a charge of \$144,948.97 covering discount on bonds. In 1923 and 1924 a total of \$111,829.78 was expended on rehabilitation of the line, and charged to Profit and Loss. The land was eventually sold through Canadian National Realities and the amount of Investment, less proceeds from sale of land, was written off to Profit and Loss in the years 1927 to 1938.

**CAPITAL STOCK:**

As at December 26, 1923:

Authorized	\$1,000,000
Issued	250,000

The Canadian Northern Railway Company acquired the Capital Stock under authority of Dominion Order in Council P.C. 2331 of September 23, 1918, by payment of the cost of construction (\$761,649.15) to date of acquisition. Upon amalgamation on December 26, 1923, the outstanding common stock was exchanged for common stock of Canadian National Electric Railways of equal value.

**FUNDED DEBT:**

5% First Mortgage Debenture Stock and Bonds issued September 1, 1915 and maturing September 1, 1945 in the amount of \$900,000 were held by The Canadian Northern Railway Company at a cost of \$755,050.03. These securities were cremated on February 15, 1929, and written off the books, following agreement that the project would be abandoned.

"CANADIAN NATIONAL EXPRESS COMPANY"

(wholly owned subsidiary of Canadian National Railway Company)

**INCORPORATED:**

May 15, 1902 - Dominion Act 2 Edward VII, Chapter 49.

**HISTORY:**

Under Dominion Act 2 Edward VII, Chapter 49, May 15, 1902, "The Canadian Northern Express Company" was incorporated for the purpose of carrying on the business of an express company in conjunction with the Canadian Northern Railway.

Under Dominion P.C. 1989, October 18, 1919, the name was changed to "Canadian National Express Company".

By Agreement of September 1, 1921 all operations of The Canadian Express Company were taken over by Canadian National Express Company. This arrangement continued until by agreement dated June 30, 1924, the properties of both companies were entrusted to Canadian National Railway Company for management and operation as a department of the railway, the railway having been empowered in the previous year, (later section 25 of Canadian National Railways Act) to carry on business customarily carried on by express companies.

**PROPERTY INVESTMENT:**

Included in property accounts of The Canadian Northern Railway Express

Company, Limited (now Canadian National Railway Company).

**CAPITAL STOCK:** As at June 11, 1956:

Authorized:	10,000 shares	\$1,000,000
Issued:	10,000 shares	1,000,000

Prior to Amalgamation of The Canadian Northern Railway Express Company Limited with Canadian National Railway Company on June 11, 1956 these shares were all owned by the first named Company.

**FUNDED DEBT:** As at June 11, 1956 - Nil.

"CANADIAN NATIONAL HOTELS, LIMITED"  
(wholly owned subsidiary of "Canadian National Railway Company")

**INCORPORATED:** October 15, 1954 - Dominion Letters Patent.

**HEAD OFFICE:** Montreal, QC.

**HISTORY:** Various corporations comprised in Canadian National Railways and the Crown, owned one or more of the hotels included in the chain of hotels operated by Canadian National Railways. The lack of uniformity in the corporate structures and diversification of ownership resulted in problems relating to capital accounting in respect of the hotels as a unit, the question of federal or provincial jurisdiction with respect to labour legislation, and effective administration. After careful study and consultations with other Company Officers, the Law Department recommended the incorporation of a new company, which would acquire ownership of and would operate all the hotels comprised in the Canadian National Railways hotel system, as the means by which the unsatisfactory corporate condition could most effectively be remedied. On February 29, 1952 the Directors of Canadian National Railway Company and the five other owning corporations approved the recommendations as recorded in Minute No. 8453. At C.N.R. Directors Meeting on April 22, 1952, (Minute No. 8540) the Directors were informed that a recent communication from the Minister of Transport indicated that the Government approved the proposal in principle.

At Canadian National Railway Company Directors' Meeting on March 26, 1954 (Minute No. 9577) it was resolved that application be made for the approval of the Governor in Council to the acquisition by Canadian National Railway Company of Capital Stock and Debentures of the proposed Hotel Company.

By Dominion Order in Council P.C. 1954-1086 of July 13, 1954, as amended by Order in Council P.C. 1954-1714 of November 9, 1954 Canadian National Railway Company is authorized to acquire the Capital Stock and Debentures in Canadian National Hotels, Limited.

Under Dominion Letters Patent dated October 15, 1954, "Canadian National Hotels Limited" was incorporated to acquire ownership of and to operate the hotels comprised in the Canadian National Railways hotel system, the authorized Capital Stock being 1,800,000 shares of no par value, which may be issued for an amount not exceeding in the aggregate \$45,000,000, i.e., \$25 a share. At a meeting held on October 22, 1954 the provisional Directors resigned and were replaced by the Directors of Canadian National Railway Company as permanent Directors of Canadian National Hotels,

Limited.

Under Agreement dated January 14, 1955 between The Canadian Northern Railway Company, Canadian National Realities, Limited, The Grand Trunk Pacific Development Company, Limited, Canadian National Railway Company, and Canadian National Hotels, Limited authorized by Minute No. 9990 of the Directors of the first four mentioned companies, and Canadian National Hotels, Limited Directors' Minute No. 10, of December 29, 1954, and by Dominion Order in Council P.C. 1954-1086 of July 13, 1954 and amending Order in Council P.C. 1954-1714 of November 9, 1954, ownership of the hotels listed below was transferred to Canadian National Hotels, Limited, as of the close of business on December 31, 1954 - adjustment with respect to capital investment to be as of the commencement of business on January 1, 1954.

The owning companies agreed to the sale in consideration of Canadian National Railway Company cancelling the debt owing by them to the Canadian National Railway Company to the extent and in the amount of the investment in each hotel as indicated below.

Upon transfer of title to The Charlottetown, Newfoundland Hotel, and The Nova Scotian by the Crown to Canadian National Hotels, Limited, Canadian National Railway Company cancelled the debt owing by them to the Canadian National Railway Company to the extent and in the amount of the investment in each hotel as indicated below:

		Amount of C.N.R. System investment as at January 1, 1954
<u>Name of Hotel</u>	<u>Location</u>	
(a) The Charlottetown	Charlottetown, PEI.	\$ 870,808.76
(a) Newfoundland Hotel	St. John's, Nfld.	1,575,724.69
(a) The Nova Scotian	Halifax, NS.	2,518,557.91
Jasper Park Lodge	Jasper, AB.	5,540,846.95
(b) Hotel Vancouver	Vancouver, BC.	11,665,649.64
The Fort Garry	Winnipeg, MB.	3,022,663.44
Chateau Laurier	Ottawa, ON.	9,111,798.60
The Bessborough	Saskatoon, SK.	3,680,248.60
The Macdonald	Edmonton, AB.	<u>8,501,471.19</u>
		<b>\$46,487,769.78</b>

(a) The Nova Scotian was constructed by the Railway on land acquired in 1916 by his late Majesty in right of Canada from the United Kingdom Government. Canadian National Railway Company Directors in Minute No. 9911 of November 25, 1954 recommended that in view of the fact that the only investment of the Crown in right of Canada in The Charlottetown, Newfoundland Hotel, and The Nova Scotian is the price of the land on which The Nova Scotian was constructed, approval Order in Council should be obtained to transfer the three hotel properties to Canadian National Hotels, Limited for a nominal consideration. Dominion Order in Council P.C. 1955-743, May 19, 1955 authorized transfer by Letters Patent of The Nova Scotian from the Crown to Canadian National Hotels, Limited for the price of \$9,900. This amount is included in the amount of investment at January 1, 1954 shown above. The Charlottetown was constructed by the Railway on land which was purchased by the railway in 1929 from the Knights of Columbus, and transferred in 1931 to the Crown in right of Canada for a nominal consideration, to form part of Canadian Government Railways. Dominion Order in Council P.C. 1955-742, May 19, 1955 authorized transfer by Letters Patent of The Charlottetown property to the Hotel Company for a nominal consideration.

Under an Order of the Lieutenant-Governor in Council of the Province of Newfoundland dated July 17, 1950, passed pursuant to Section 31 of the Terms of Union

Newfoundland with Canada ownership of the Newfoundland Hotel property including the land forming the site was vested in the Crown in right of Canada. Extensive renovations and additions to the facilities were made at a cost to the Railway of \$1,575,724.69. Dominion Order in Council P.C. 1955-741, May 19, 1955 authorized transfer by Letters Patent of the Newfoundland Hotel property to the Hotel Company for a nominal consideration.

(b) Ownership of Hotel Vancouver was transferred to Canadian National Hotels, Limited, subject to the existing lease to Vancouver Hotel Company Limited with the right to a renewal for a further term of 21 years from May 24, 1960.

The Agreement also provided that Canadian National Hotels, Limited retain the profits, if any, and pay the losses, if any, resulting from operation during the calendar year 1954, including the profits or losses, if any, on The Prince Edward and The Prince Arthur hotels and Minaki and Pictou Lodges from January 1, 1954 to February 28, 1955; also declared the intention that a long term lease of the site for the Queen Elizabeth Hotel be entered into, and after completion of the construction by Canadian National Railway Company, ownership of the building be transferred to Canadian National Hotels, Limited in consideration of Canadian National Hotels, Limited issuing to the Railway Company Capital Stock and/or debentures in value equal to the aggregate investment by the Railway Company in the hotel at the time of transfer.

In consideration of the acquisition of the nine hotel properties listed above having an investment value of \$46,487,769.78 at January 1, 1954, Canadian National Hotels, Limited assumed responsibility for all liabilities, leases, etc. of Canadian National Railway Company in connection with said hotels, and allotted to Canadian National Railway Company 1,115,706 fully paid and non-assessable shares of Capital Stock of Canadian National Hotels, Limited of no par value at a price of \$25 for each share (including 7 shares subscribed by the incorporators of the Hotel Company) - \$27,892,650, and issued to Canadian National Railway Company a 3½% debenture of Canadian National Hotels, Limited having face value of \$18,595,120 payable on December 31, 1973. Additional Capital Stock and debentures of Canadian National Hotels, Limited were issued to Canadian National Railway Company to cover cash advances by the latter Company for working fund and capital expenditure made subsequent to January 1, 1954.

**PROPERTY INVESTMENT:** As at December 31, 1960.

	<u>Land</u>	<u>Building</u>	<u>Furnishings &amp; Equipment</u>	<u>Total</u>
The Bessborough	\$ 130,189	\$ 3,265,434	\$ 599,386	\$ 3,995,009
The Charlottetown	29,865	750,999	149,333	930,197
Chateau Laurier	378,856	7,364,026	2,267,765	10,010,647
The Fort Garry	114,606	2,893,052	731,109	3,738,767
Jasper Park Lodge	495,100	4,562,364	1,115,559	6,173,023
The MacDonald	321,633	6,954,065	1,499,585	8,775,283
Newfoundland Hotel	2,087,601	249,194		2,336,795
The Nova Scotian	137,279	5,215,893	1,072,266	6,468,438
Hotel Vancouver	1,059,986	9,104,913	1,591,902	11,756,801
Total	\$2,667,514	\$42,238,347	\$9,276,099	\$54,177,960
The Queen Elizabeth		\$20,871,891	\$4,936,988	\$25,808,876

The Queen Elizabeth is owned directly by The Canadian National Railway Company and cannot be transferred to Canadian National Hotels, Limited.



Canadian National Railway Company Directors Minute No. 9911 of November 25, 1954 mentioned among other things that Canadian National Railways had an investment of \$870,809 in The Charlottetown, ownership of which was to be transferred to Canadian National Hotels, Limited, and that the Crown had no direct investment in the property, and resolved that application be made for approval by the Governor in Council to transfer The Charlottetown (and the Newfoundland Hotel and The Nova Scotian) to Canadian National Hotels, Limited for a nominal consideration.

Dominion Order in Council P.C. 1955-742, May 19, 1955 authorized transfer by Letters Patent of The Charlottetown property to Canadian National Hotels, Limited, for a nominal consideration; and amended P.C. 115 of January 20, 1923 so as to delete The Charlottetown from the entrustment. Upon transfer of title Canadian National Railway Company cancelled the debt owing to it by Canadian Government Railways to the extent of \$870,809, representing the amount of investment as at January 1, 1954, and received Capital Stock and Debentures of Canadian National Hotels, Limited having a face value of \$870,809. The hotel was taken over by Canadian National Hotels, Limited as a going concern as of December 31, 1954.

**FURTHER INFORMATION:** See Previous pages

"Chateau Laurier"- Ottawa, ON.

**HISTORY:**

Under the powers granted The Ottawa Terminals Railway Company, the Chateau Laurier was constructed by that Company with funds advanced by The Grand Trunk Railway Company of Canada, and opened on June 1, 1912.

In 1927 an extension of the hotel was undertaken to meet an ever-growing demand for accommodation at Ottawa, and by the end of 1928 was sufficiently progressed to enable the use of 140 new bedrooms. The new East Wing was completed and opened in March 1929, thereby increasing the hotel accommodation to 534 guest rooms.

On June 8, 1954, a number of railway companies, including The Ottawa Terminals Railway Company, were amalgamated into one Company under the name "Canadian National Railway Company", and the latter Company thereby became owner of the Chateau Laurier.

Under Agreement dated January 14, 1955, ownership of Chateau Laurier was transferred to Canadian National Hotels, Limited as of December 31, 1954, in consideration of the issue to Canadian National Railway Company of Capital Stock and Debentures of Canadian National Hotels, Limited having a face value of \$9,111,799, representing the amount of investment in the Chateau Laurier as at January 1, 1954.

**FURTHER INFORMATION:** See Previous pages

"The Fort Garry" - Winnipeg, MB.

**HISTORY:**

The Fort Garry Hotel was constructed and owned by The Grand Trunk Pacific Development Company, Limited. The original cost was \$2,706,977, and the hotel was opened in December 1913.

The Grand Trunk Pacific Development Company, Directors Minute No. 150



dated April 1, 1955, passed a by-law authorizing transfer of ownership of the property to Canadian National Hotels, Limited, in consideration of \$1. Upon transfer, and receipt by Canadian National Railway Company of Common Stock and Debentures of Canadian National Hotels, Limited in the amount of \$3,022,663 (representing the amount of investment as at January 1, 1954) in payment thereof, Canadian National Railway Company cancelled the debt owing to it by The Grand Trunk Pacific Development Company, Limited to the extent of this amount as per Agreement of January 14, 1955.

The hotel was taken over by Canadian National Hotels, Limited as going concern as of December 31, 1954.

**FURTHER INFORMATION:** See Previous pages

"Jasper Park Lodge" - Jasper, AB.

**HISTORY:**

Jasper Park Lodge and the golf course was constructed by The Canadian Northern Railway Company on land leased from the Dominion Government. The Lodge is operated in summer seasons only, and was first opened in 1922. Construction of the golf course was undertaken in 1924.

Between 1924 and 1930 substantial additional facilities were constructed to provide increased accommodation.

On July 15, 1952 the main building was destroyed by fire of undetermined origin. By various expedients the Lodge was kept in operation for the balance of the 1952 season, with such success that total patronage for the year showed a decrease of only 25% compared with 1951. Replacement was undertaken immediately and the new central building was completed and ready for operation on June 10, 1953.

Under Agreement dated January 14, 1955 ownership of Jasper Park Lodges including the golf course and other properties, (and other hotels) was transferred to Canadian National Hotels, Limited as of December 31, 1954, in consideration of (a) the issue to Canadian National Railway Company of Capital Stock and Debentures of Canadian National Hotels, Limited having a face value of \$5,540,847, representing the amount of investment in Jasper Park Lodge as at January 1, 1954, and (b) cancellation by Canadian National Railway Company of the debt owing to it by The Canadian Northern Railway Company with respect to advances to the extent of \$5,540,846.95.

Jasper Park Lodge was taken over by Canadian National Hotels, Limited as a going concern as of December 31, 1954.

**FURTHER INFORMATION:** See Previous pages

"The Macdonald" - Edmonton, AB.

**HISTORY:**

The Macdonald was originally constructed, owned and operated by The Grand Trunk Pacific Development Company, Limited. It was opened for operation in July 1915, and had 183 guest rooms.

Following representation to Canadian National Railways by the City of Edmonton and other public bodies during the previous several years looking to the construction of an addition to The Macdonald, as the available accommodation was found to be entirely inadequate in view of the tremendous growth of the City of Edmonton, and having in mind the importance of the Company's position in Edmonton from a railway

traffic standpoint, the Directors of Canadian National Railway Company by resolution of November 25, 1948, authorized construction of an extension to provide approximately 280 additional guest rooms. The proposal was approved by Dominion Order in Council P.C. 1030 of March 3, 1949.

On December 20, 1949 an Agreement was entered into between Canadian National Railway Company, The Grand Trunk Pacific Development Company, Limited (owner of The Macdonald) and the City of Edmonton providing in part as follows:

Canadian National Railway Company undertook (a) to construct the addition at its own expense, (b) to pay the City \$100,000 as the Railway's contribution to the cost of public improvements to be undertaken by the City and for lands to be conveyed to the Railway by the City, (c) to pay the cost to the City of replacing with cast iron pipes the sewer pipes under the site of the addition and of relocating light, power and telephone cables thereunder.

The City of Edmonton undertook (a) to convey to the Railway title for the site for the addition, (b) to acquire certain property and demolish any buildings thereon and undertake public improvements beneficial to the area in which the hotel is situated, (c) to apply for legislative authority to limit the municipal tax with respect to the hotel to \$75 per bedroom per annum for ten years, and to \$100 per bedroom per annum thereafter.

Construction of the new 15-storey wing was commenced in 1950, and financed with funds appropriated by Parliament for Canadian National Railways, and the new wing was fully in service by the end of January 1953.

In 1951 ownership of the original hotel was transferred to Canadian National Railway Company.

Under Agreement dated January 14, 1955 ownership of The Macdonald (and other hotels) was transferred to Canadian National Hotels, Limited as of December 31, 1954, in consideration of the issue to Canadian National Railway Company of Capital Stock and Debentures of Canadian National Hotels, Limited having a face value of \$8,501,471, representing the amount of investment in The Macdonald as at January 1, 1954.

The Macdonald was taken over by Canadian National Hotels, Limited as going concern as of December 31, 1954.

**FURTHER INFORMATION:** See Previous pages

"Newfoundland Hotel" - St. John's, Nfld.

**HISTORY:**

The Newfoundland Hotel was opened in 1926, and prior to October 1, 1949 was owned by the Government of Newfoundland.

Under an Order of the Lieutenant-Governor in Council of the Province of Newfoundland dated July 17, 1950 passed pursuant to Section 31 of the Terms of Union of Newfoundland with Canada, the land forming the site of the Newfoundland Hotel, together with the hotel and all structures and improvements on the land and all equipment in the hotel were transferred to His Majesty in right of Canada, free of debt.

Under Dominion Order in Council P.C. 4531, September 25, 1950 the property was entrusted to Canadian National Railway Company for management and operation with retrospective effect to October 1, 1949. This entrustment was terminated by Order in Council P.C. 1955-741 dated May 19, 1955, upon transfer of the property to Canadian National Hotels, Limited, which was effective at the close of business on December 31, 1954.

Since transfer of Newfoundland Hotel to Canada effective October 1, 1949 extensive renovations and additions to the facilities of the Newfoundland Hotel were commenced in 1950 and completed in 1953. The cost of these improvements, \$1,575,724.69, was carried in open account as "advances" forming part of the debt of Canadian Government Railways to Canadian National Railway Company.

Canadian National Railway Company Directors Minute No. 9911 of November 25, 1954 mentioned among other things that Canadian National Railways had an investment of \$1,575,724.69 in Newfoundland Hotel, ownership of which was to be transferred to Canadian National Hotels, Limited, and that the Crown had no direct investment in the property, and resolved that application be made for approval by the Governor in Council to transfer Newfoundland Hotel (and The Charlottetown and The Nova Scotian) to Canadian National Hotels, Limited for a nominal consideration.

Dominion Order in Council P.C. 1955-741, May 19, 1955 authorized transfer by Letters Patent of Newfoundland Hotel, including land, structures and appurtenances, for a nominal consideration to Canadian National Hotels, Limited. Upon transfer Canadian National Railway Company cancelled the debt owing to it by Canadian Government Railways to the extent of \$1,575,724.69, representing the amount of investment expenditure for renovations and additions during the period October 1, 1949 to January 1, 1954, and received Capital Stock and Debentures of Canadian National Hotels, Limited having a face value of \$1,574,725.

**ACCOUNTING:**

In 1956, for accounting purposes, \$750,000 (representing the estimated value of the property on October 1, 1949, the effective date of the transfer of ownership to the Crown in right of Canada pursuant to Section 31 of the Terms of Union) was added to Property Investment account, and a corresponding amount was credited to Reserve for depreciation.

**FURTHER INFORMATION:** See Previous pages

"The Nova Scotian" - Halifax, NS.

**HISTORY:**

The Nova Scotian was constructed in 1930 with funds appropriated by Parliament for Canadian National Railways, on Canadian Government Railways land acquired in 1916 by the Crown in right of Canada from the United Kingdom Government. The hotel was opened on June 23, 1930.

Under Dominion Order in Council P.C. 115 of January 20, 1923, the Canadian Government Railways, including lands, properties and the subsequently acquired hotel, were entrusted to Canadian National Railway Company for management and operation.

In 1931 The Nova Scotian was transferred to the Crown in right of Canada for a nominal consideration, to form part of Canadian Government Railways. Investment expenditures by Canadian National Railway Company were carried in open account as "advances" forming part of the debt of Canadian Government Railways to Canadian National Railway Company. The amount outstanding at January 1, 1954 with respect to The Nova Scotian was \$2,518,558.

Canadian National Railway Company Directors Minute No. 9911 of November 25, 1954 mentioned among other things that Canadian National Railways had an investment of \$2,518,558 in The Nova Scotian, ownership of which was to be transferred to Canadian National Hotels, Limited, and that, excepting the small investment for land, the Crown had no direct investment in the property, and resolved that application be made for approval by the Governor in Council to transfer The Nova Scotian (and the Newfoundland Hotel and The Charlottetown) to Canadian National Hotels, Limited for a nominal consideration.

Dominion Order in Council P.C. 1955-743, May 19, 1955 authorized transfer by Letters Patent of The Nova Scotian from the Crown to Canadian National Hotels, Limited for the price of \$9,900; and amended P.C. 115 of January 20, 1923 so as to delete The Nova Scotian from the entrustment. Upon transfer of title Canadian National Railway Company cancelled the debt owing to it by Canadian Government Railways to the extent of \$2,518,558, representing the amount of investment (including the land) as at January 1, 1954, and received Capital Stock and Debentures of Canadian National Hotels, Limited having a face value of \$2,518,558.

**FURTHER INFORMATION:** See Previous pages

"Hotel Vancouver" - Vancouver, BC.

**HISTORY:**

Construction of the Hotel Vancouver by The Canadian Northern Railway Company was in part fulfilment of an undertaking by the Railway when it was arranged that the City of Vancouver be the Pacific Coast terminus of the Canadian Northern Railway System.

The Canadian Northern Railway System originally chose Port Mann as the Pacific Coast terminal of their transcontinental railway, but by subsequent agreement between Canadian Northern Pacific Railway Company and The Canadian Northern Railway Company on the one hand, and the City of Vancouver on the other, arrangements were made for the Pacific Coast Terminus to be in the City of Vancouver. Among other things the City gave the Railway certain areas in the Bed of False Creek, and the Railway undertook rather onerous obligations, among which were; to obtain entrance to the City by double track tunnel, to construct a station, to electrify the tunnel and the False Creek area, to construct (if required) a spur track to the City Market, and within five years from 1913 to construct a 250 room first-class hotel on property other than Railway property.

The Railway did not fully carry out the terms of this arrangement. Among other things it obtained trackage rights over the Great Northern Railway in lieu of the tunnel entrance.

At various times the City pressed its claims upon the Railway and, following lengthy negotiations, on April 15, 1928, the City Council adopted a resolution relieving the Railway of its major unfulfilled obligations under the Agreement in consideration of the construction of a modern hotel of not less than 500 rooms. The Dominion Government approved this arrangement by Order in Council P.C. 1218, August 7, 1926, wherein it was mentioned that the estimated cost to the Railway of carrying out the works called for by the agreement is \$8,150,000. and the estimated cost of construction of the proposed hotel is \$3,500,000. By this Order in Council the Railway was authorized to construct the hotel at the approximate cost of \$3,500,000 and to subsequently fully equip and operate it.

Order in Council P.C. 1218 was subsequently cancelled by Order in Council P.C. 1478 of September 28, 1926, and on November 29, 1927 Dominion Order in Council P.C. 2214 was passed approving a proposed agreement between the City of

Vancouver and The Canadian Northern Railway Company, which, among other things, provided that the Railway would construct and permanently maintain a first class modern fireproof hotel of 500 rooms, to be operated as part of the Canadian National Hotel System, the site to be on the south side of Georgia Street between Burrard and Hornby Streets; to be commenced before November 15, 1928 and completed and ready for occupancy on or before December 31, 1930, subject to reasonable extensions.

Having regard to what was then expected to be a continued and rapid development of the tourist business on the Pacific Coast, the Railway management and Board of Directors thought it would be folly to provide for a hotel of less than 600 rooms, and plans were altered accordingly to provide for 595 rooms.

Work on the project commenced in December 1928. Two or three years later, because of the intervening depression, it was decided to suspend construction. The contract was cancelled on July 29, 1933, at which date the expenditures amounted to \$9,012,387.

On April 1, 1938 work on the hotel was resumed. The work was completed and the hotel was opened for operation on May 25, 1939.

The original cost of construction was \$11,607,072. recorded in the investment account of The Canadian Northern Railway Company. Title to the property was registered in the name of Canadian National Realities, Limited.

In compliance with the Canadian National-Canadian Pacific Act, 1933 requiring the adoption of co-operative measures, an Agreement was entered into on July 28, 1938 between Canadian National Railway Company and Canadian Pacific Railway Company providing for the formation of a new company to be jointly owned, and that Hotel Vancouver would be leased to the new company for operation, and that operation of the existing Canadian Pacific hotel in Vancouver be terminated. (For further details of the agreement see "Vancouver Hotel Company Limited").

Under Agreement dated January 14, 1955 ownership of Hotel Vancouver was transferred to Canadian National Hotels, Limited as of December 31 1954 in consideration of (a) the issue to Canadian National Railway Company of Capital Stock and Debentures Or Canadian National Hotels, Limited having a face value of \$11,665,650. representing the amount of investment in Hotel Vancouver as at January 1, 1954 and (b) cancellation by Canadian National Railway Company of the debt owing to it by The Canadian Northern Railway Company with respect to advances to the extent of \$11,665,649.64.

Hotel Vancouver was taken over by Canadian National Hotels, Limited as a going concern as of December 31, 1954, subject to the lease mentioned hereunder.

**LEASE:**

Vancouver Hotel Company Limited was incorporated by Dominion Letters Patent dated October 4, 1938, and Hotel Vancouver was leased to that Company for operation for a term of 21 years from May 25, 1939, with the right to renewal for a further term of 21 years to May 24, 1981.

**FURTHER INFORMATION:** See Previous pages

**ACCRUED DEPRECIATION:** As at December 31, 1960:  
Buildings, furniture and equipment \$3,705,686

**INVESTMENT IN AFFILIATED COMPANIES:**  
As at December 31, 1960:  
Vancouver Hotel Company Limited \$105,250

750 shares of \$100 each  
Canadian Pacific Railway Company is joint-owner and holds an equal number of shares.

**CAPITAL STOCK:** As at December 31, 1960:  
Authorized: 1,800,000 shares N.P.V. \$45,000,000  
Issued: 1,151,789 shares N.P.V. 32,775,300  
All owned by Canadian National Railway Company.

**LONG-TERM DEBT:** As at December 31, 1960:  
3½% debentures maturing December 31, 1973. \$18,026,840  
All held by Canadian National Railway Company.

DIRECTORS

Canadian National Railway Company  
Donald Gordon  
Wilfrid Gagnon  
J. A. Northey  
J. R. Griffith  
W. G. Stewart  
H. W. Marsh

SHAREHOLDERS

1,311,005 shares  
1 share  
1 share  
1 share  
1 share  
1 share  
1,311,012 shares

(issued at \$25.00 per share)  
(\$32,775,300)

Directors - 7

Quorum - 4

OFFICERS

Donald Gordon	President
N. J. MacMillan	Executive Vice-President
S. F. Dingle	Vice-President
R. H. Tarr	Vice-President & Secretary
S. S. Chambers	General Manager
J. L. Ball	Comptroller
E. J. Denyar	Treasurer
J. M. Young	Assistant Secretary
D. W. Gilmour	Assistant Secretary
H. M. Blaiklock	General Manager of Real Estate

CANADIAN NATIONAL HOTELS, LIMITED

Investment (Gross) at December 31<sup>st</sup>, 1960.

Hotel	No. Guest Rooms 1960	Date Opened	Original		Furnishings &		Total
			Capital Cost	Land	Buildings	Equipment	
Chateau Laurier	550	June 1, 1912	\$2,601,139	\$378,856	\$7,364,026	\$2,267,765	\$10,010,647
The Macdonald	485	July 1, 1915	2,152,625	321,633	6,954,065	1,499,585	8,775,283
The Fort Garry	265	December 11, 1913	2,706,978	114,606	2,893,052	731,109	3,738,767
The Bessborough	260	December 9, 1935	3,567,584	130,189	3,265,434	599,386	3,995,009
The Nova Scotian	325	June 23, 1930	2,440,928	137,279	5,251,893	1,072,266	6,461,438
Newfoundland Hotel	140	* 1926	1,551,652	-	2,087,601	249,194	2,336,795
The Charlottetown	110	April 14, 1931	854,105	29,865	750,999	149,333	930,197
Jasper Park Lodge	368	July 1, 1922	2,539,154	495,100	4,562,364	1,115,559	6,173,023

Hotel Vancouver	560	May 25, 1939	11,625,126	1,059,986	9,104,113	1,591,902	11,756,801
The Queen Elizabeth	1,182	April 17, 1958	25,730,008.91	-	20,871,391.26	4,936,985.20	25,808,876.46

\* By Order-In-Council the Newfoundland Hotel was entrusted to the Canadian National Railways on October 1<sup>st</sup>, 1949.

"CANADIAN NATIONAL LAND SETTLEMENT ASSOCIATION"  
(No share capital - controlled by "Canadian National Railway Company")

**INCORPORATED:** March 9, 1925 - Dominion Letters Patent.

**HEAD OFFICE:** Winnipeg, Manitoba

**HISTORY:** The Dominion Department of Citizenship and Immigration established regulations in 1925 (which regulations were continued until 1951) which specified that, where possible, prospective immigrant land settlement families from Continental Europe should deposit in trust monies for re-establishment purposes with a Government approved land settlement agency. This money was required to be deposited prior to the granting of a visa as a measure of good faith that the immigrant family would settle on farm land after arrival in Canada.

The Canadian National Railways Colonization and Agriculture Department was anxious to be active in securing families of this type, and to promote the settlement of farm land in Canadian National territory, and applied for incorporation of an agency to carry out this purpose.

Under Dominion Letters Patent dated March 9, 1925, issued to the Department of the Railway, "Canadian National Land Settlement Association" was incorporated, without share capital, and was granted wide powers to carry on a business in the Dominion of Canada and elsewhere, of such a type of colonization as will induce the exploration and development of natural resources in Canada.

From 1925 to the end of 1956, 27,106 land settlement units have been located on 4,878,391 acres of farm land. During the same period \$3,732,810.61 has been received in trust on behalf of immigrant land settlement units. The last immigrant deposit was received in 1952.

The Association now holds in trust only two deposits totalling \$4,010 on behalf of two immigrants who have not yet been located on land. The remainder of the deposits received have been released by the Association from time to time, and in accordance with individual deposits, for the purchase of land, equipment or livestock by the immigrant families concerned, but only after the Railway Department's fieldmen were satisfied that the purchase was bonafide and that the transaction was such that the prospective settlement unit had an excellent chance of making a success of his new venture.

Since 1952 it is no longer necessary for prospective immigrant land settlement families to deposit money with any agency before securing their visa. They merely show proof to the Visaing Officer Overseas that they have a certain amount of capital and that they qualify as farmers. They are then accepted for forwarding to Canada as a land settlement unit under the auspices of one of the Railways or under the auspices of the Settlement Service of the Department of Citizenship and Immigration.

In addition to administering trust funds on behalf of immigrant families the Association has been, and continues to be active in promoting the settlement of Canadian

farm families in territory contiguous to Canadian National Railways; and also endeavours to promote the settlement of American settlers who wish to locate on farm land in Canada.

Whilst the Association is not now as active as formerly, there is the possibility that immigration regulations could change or special movements of immigrant families with capital could develop at any time, and in view of this the Department of Colonization and Agriculture deems it desirable to maintain the Associations Charter. The cost is \$2 per year remitted to the Secretary of State for Canada, Ottawa.

Each year an annual meeting is held for election of directors, executive committee, and officers. With the exception of the Director of the Railway Colonization and Agriculture Department, Montreal, who is a Director, and President of the Association, the Directors and Officers of the Association are Officers of the Western Region of the Railway. The Auditor and the Treasurer of the Association are the Assistant Regional Auditor and the Regional Treasurer, respectively, of the Railway at Winnipeg.

"CANADIAN NATIONAL RAILWAY COMPANY"

and respecting

"CANADIAN NATIONAL RAILWAYS"

**INCORPORATED:**

Legislation

Dominion Act 9-10, George V, Chapter 13, June 6, 1919.

Amended

Dominion Act 14-15, George V, Chapter 13, July 19, 1924.

Revised Revised Statutes, 1927, Chapter 172 amended by

Dominion Act 18-19, George V, Chapter 13, June 11, 1928.

Dominion Act 19-20, George V, Chapter 10, June 14, 1929.

Dominion Act 21-22, George V, Chapter 6, June 11, 1931.

Dominion Act 23-24, George V, Chapter 33, May 23, 1933.

Dominion Act 1, George VI, Chapter 22, April 10, 1937.

Dominion Act 8, George VI, Chapter 9, June 1, 1944.

Dominion Act 13, George VI, Chapter 6, March 25, 1949.

Dominion Act 1, Elizabeth II, Chapter 36, July 4, 1952.

Dominion Act 3-4, Elizabeth II, Chapter 29, June 23, 1955.

**HISTORY:**

Under Order-In-Council P.C. 3122 dated December 20, 1918, the use of the name "Canadian National Railways" was authorized to designate operation procedure of the Canadian Northern Railway Company and the entrusted Canadian Government Railways.

The Canadian National Railway Company was incorporated on June 6, 1919 under Act 9-10, George V, Chapter 13, Dominion of Canada for the purpose of consolidating the railways, works and undertakings comprised in the Canadian Northern System and operating them together with the Canadian Government Railways as a national railway system and all such lines as may be entrusted to it by Order-In-Council. The directors shall be nominated by the Governor in Council and the stock vested in the Minister of Finance.

Under Section I of the Canadian National Railway Company's Act 1919, The Dominion issued P.C. 2094 dated October 4, 1922 the Governor in Council nominated the following Directors of the Company:



Major General Sir Henry Worth Thornton, K.B.E.,  
John H. Sinclair, K.C.,  
Richard P. Sough,  
James Stewart,  
Ernest R. Decary,  
Frederick G. Dawson,  
Tom Moore,  
Graham A. Bell,  
Gerard G. Ruel,

London, England  
New Glasgow, Nova Scotia  
Toronto, Ontario  
Winnipeg, Manitoba  
Montreal, Quebec  
Prince Rupert, British Columbia  
Ottawa, Ontario  
Ottawa, Ontario  
Toronto, Ontario

Thereby bringing the Canadian National Railway Company into existence. The First Meeting of the Board of Directors was held at Ottawa, Ontario on October 10, 1922, and Sir Henry W. Thornton was appointed President and Chairman

Under Order-In-Council P.C. 114 issued January 19, 1923 the whole of the preference and common stock of the Grand Trunk Railway Company of Canada was vested in His Majesty the King in the right of the Dominion of Canada in accordance with the majority award of the Board of Arbitration made at Ottawa on September 8, 1921 and the decision of the appeal of the Judicial Committee of the Privy Council delivered on November 10, 1922.

Under Order-In-Council P.C. 115 dated January 20, 1923, authorized by Dominion Chapter 13, 1919, the powers of General Manager of the Canadian Government Railways previously entrusted to the Board of Directors of The Canadian Northern Railway Company were terminated and management and operation were entrusted to the Board of Directors of the Canadian National Railway Company. The lines so entrusted include:

The Intercolonial Railway  
The National Transcontinental Railway  
The Prince Edward Island Railway  
The Lake Superior Branch of the Grand Trunk Pacific Railway Company  
The Hudson Bay Railway

and all other railways and branch lines, the title to which, and to the lands and properties whereon such railways are constructed, is vested in His Majesty.

By agreement dated January 30, 1923 between Canadian National Railway Company and The Grand Trunk Railway Company of Canada, which agreement was submitted to the shareholders of The Grand Trunk Railway Company of Canada at a meeting duly called and held, at which all of the voting shares were represented by proxy, and was duly approved of and authorized by the unanimous vote of all of the said shareholders, and confirmed by the shareholders of Canadian National Railway Company by the Governor in Council by authority conferred upon him under Dominion Statutes of 1918, Chapter 13, Section 9, and sanctioned by Dominion Order-In-Council P.C. 181 dated January 30, 1923, The Grand Trunk Railway Company of Canada was amalgamated with Canadian National Railway Company to form one company under the latter name. A counterpart of the agreement was filed in the Office of the Secretary of State of Canada on January 31, 1923, and the amalgamation became effective on that date.

The capital stock of the Amalgamated Company was declared to be \$180,424,327.70 (until otherwise declared by the Governor in Council). One share covering the declared amount of capital stock was issued to the Minister of Finance, in trust for His Majesty, and upon such issue the shares then held by the Minister of Finance in the capital stock of The Grand Trunk Railway Company of Canada was surrendered by the Minister of Finance to the Amalgamated Company for cancellation. The declared

capital stock is the equivalent of \$165,627,738.70 of capital stock of The Grand Trunk Railway Company of Canada formerly held by the public, and \$14,796,589.00 formerly held in The Grand Trunk Railway Company of Canada Treasury.

Under Order-In-Council P.C. 194 dated February 5, 1923 the Head Office of the Canadian National Railway Company was declared to be in Montreal.

Order-In-Council P.C. 380 dated March 8, 1924 authorized the Canadian National Railway Company to lease the Inverness Railway and Coal Company for three years from February 1, 1924 at a rental of \$25,000 per annum with the right to purchase the Company for \$500,000 as outlined in the agreement dated February 1, 1924.

Order-In-Council P.C. 1758 dated September 26, 1925 authorized the Minister of Railways and Canals to lease the Rouyn Mines for a period of thirty years, to be operated by the Canadian National Railway Company and authorized the Canadian National Railway Company to guarantee a loan of \$2,000,000 at 4½% interest.

Order-In-Council P.C. 653 issued April 30, 1926 authorized the Canadian Railway Company to establish a self insurance fund in lieu of carrying fire insurance with outside companies under the powers granted by Act 13-14, George V, Chapter 6, Dominion of Canada, assented to June 13, 1923.

The management and operation of the Hudson Bay Railway was terminated by Order-In-Council P.C. 974 dated June 25, 1926, and the construction of the Railway by the forces of the Canadian National Railway Company for the Department of Railways and Canals was authorized.

The Maritime Freight Rates Act 17, George V, Chapter 44, assented to April 14, 1927, authorized the adjustment of Freight Rates on Eastern Lines in accordance with the recommendations of the Maritime Claims Royal Commission. Deficits which may result from the new rates are to be provided for in the Parliamentary Estimates and paid by the Dominion Government.

Order-In-Council P.C. 1022 dated June 30, 1927 approving By-Law No. 11 of the Canadian National Railway Company appointing an Executive Committee consisting of six Directors.

The Maritime Freight Rates Act 17, George V, Chapter 44, Dominion of Canada, assented to April 14, 1927 authorized the adjustment of Freight Rates on Eastern Lines to meet the recommendations of the Maritime Claims Royal Commission. Any deficits resulting from the new rates are to be provided for in the Parliamentary Estimates and paid by the Dominion Government.

Order-In-Council P.C. 102 issued January 18, 1928 approved the contract with Dillon Read & Company, New York, dated December 12, 1927 in connection with the Central Vermont Refunding Mortgages 5% Gold Bonds to the extent of \$8,609,000.00 held by the public.

Order-In-Council P.C. 1128 issued June 29, 1928 authorized the Canadian National Railway Company to take over from Dillon Read and Company the Central Vermont Refunding Mortgage 5% Gold Bonds acquired or which may be acquired.

The "Canadian National Railways Pension Act," 19-20 George V, Chapter 4, Canada, assented to May 1, 1929, authorized the establishment of a Canadian National Railways Pension Fund, applicable to other Companies owned or controlled by His Majesty, excluding the Canadian Government Railways.

Order-In-Council P.C. 321 issued February 20, 1929 authorized the Bank of Montreal to take over from the Canadian National Railway Company certain Central Vermont Railway Company Bonds acquired from Dillon Read and Company not exceeding \$8,609,000.00. Interest to be charged at 5¼%.

Order-In-Council P.C. 1296 issued July 19, 1929 authorized the Canadian National Railway Company to take over the Refunding Mortgage 5% Gold Bonds of the

Central Vermont Railway Company for an amount not exceeding \$8,609,000.00 from the Bank of Montreal.

Order-In-Council P.C. 1442 issued August 7, 1929 approved the acquisition of the Kent Northern Railway Company by the Canadian National Railway Company as authorized by Act 19-20, George V, Chapter 14, Dominion of Canada, assented to June 14, 1929. Purchase Price \$60,000.

Order-In-Council P.C. 1443 issued August 7, 1929 approved the acquisition of the Inverness Railway and Coal Company by the Canadian National Railway Company as authorized by Act 19-20, George V, Chapter 13, Dominion of Canada, assented to June 14, 1929. Purchase Price \$375,000.

Order-In-Council P.C. 1444 issued August 7, 1929 approved the acquisition of the Quebec, Montreal and Southern Railway Company by the Canadian National Railway Company as authorized by Act 19-20, George V, Chapter 15, Dominion of Canada assented to June 14, 1929. Purchase Price \$5,920,361.

Order-In-Council P.C. 1445 issued August 7, 1929 approved the acquisition of the Quebec Oriental Railway and the Atlantic Quebec and Western Railway by the Canadian National Railway Company as authorized by Act 19-20, George V, Chapter 16, Dominion of Canada assented to June 14, 1929. Purchase Price \$3,500,000,

Order-In-Council P.C. 1446 issued August 7, 1929 approved the acquisition of the Saint John and Quebec Railway by the Canadian National Railway Company as authorized by Act 19-20, George V, Chapter 17, Dominion of Canada, assented to June 14, 1929. Purchase Price \$6,000,000.

The "Canadian National Railways Pension Act" Act 19-20, George V, Chapter 4, Dominion of Canada assented to May 1, 1929 authorized the establishment of a Canadian National Railways Pension Fund, applicable to other companies owned or controlled by His Majesty excluding the Canadian Government Railways.

Order-In-Council P.C. 1296 issued July 19, 1929 authorized the Canadian National Railway Company to take over the Refunding Mortgage 5% Gold Bonds of the Central Vermont Railway Company for an amount not exceeding \$8,609,000.00 from the Bank of Montreal.

Order-In-Council P.C. 1650 dated July 16, 1932 accepted the resignation of Sir Henry Thornton from the Directorate of the Canadian National Railway Company and Order-In-Council P.C. 1652 dated July 30, 1932 terminated the agreement with Sir Henry Thornton as Managing head of the Canadian National Railway Company.

The Royal Commission on Transportation made its report to the Government on September 13, 1932, recommending that three Trustees should be appointed by the Governor in Council, in whom should be vested all the Powers of the Present Board of Directors of the Canadian National Railway Company both in respect of the parent and all subsidiary companies of the system; and any and every power and authority necessary to enable them to administer the property, and operate the system and every part thereof. Joint action between railways with a view to savings in the wider sphere was also strongly urged.

The Recommendations of the Royal Commission on Transportation were implemented by the passage on May 23, 1933 of the "Canadian National - Canadian Pacific Act 1933". Nominations and Appointments to the Board of Directors of the Canadian National Railway Company were vacated and the Governor in Council was authorized to appoint three trustees one of whom shall be Chairman. The Trustees were empowered to appoint a Chief Operating Officer with the titular rank of President who shall report to and be only responsible to the Trustees. The present Chief Operating Officer of the Company, S. J. Hungerford, who had acted as such since the resignation of Sir Henry Thornton, to continue to Act as President until the Trustees shall have been

appointed.

Order-In-Council P.C. 2682 dated December 23, 1933 vacated the Board of Directors and appointed three Trustees:

Honourable Charles P. Fullerton, K.C.  
Frederick K. Morrow and  
J. Edward Labelle, K.C.

Chairman

The Trustees assumed office December 30, 1933, and on January 31, 1933 Mr. S. J. Hungerford was named President by the Trustees.

Act 23 - 24 George V, Chapter 33, May 23<sup>rd</sup>, 1933, known as Canadian National - Canadian Pacific Act, provided that nominations and appointments to Board of Directors would be vacated and three Trustees substituted for original incorporators. One of such Trustees shall be their Chairman who shall be appointed for term of five (5) years and who shall devote his whole time to performance of the duties of his office. The other Trustees shall from time to time during the terms of their first appointments devote their whole or part time (as may be determined from time to time by the Governor-in-Council) to performance of the duties of their office. Their term of office shall be for lesser term than five years and of different duration, but appointments to fill vacancies occurring by efflux of time shall be for 5 year terms, each Trustee to continue in office until his successor is appointed. Salaries for such whole and/or part time shall be fixed at the time of their appointments, to be paid by the Canadian National Railways.

Every incorporated company in Canada which is comprised in National Railways not heretofore incorporated by or under the law of the Dominion of Canada nor declared to be works for the general advantage of Canada are hereby re-incorporated and now so declared.

The Trustees shall have and exercise all the powers, rights, privileges and immunities and perform all the duties, responsibilities and restrictions, formerly exercised and performed by the Board of Directors, and be substituted for Boards of Directors of all Canadian Companies comprised within the National Railways, however, in respect to companies partially owned, the Trustees shall replace those Directors of the Board who previously were appointed by or for the Canadian National Railways.

Under this Act the Trustees shall submit to the Minister of Finance an annual budget of amounts required for income deficits, etc., and to Parliament each year, a report of operations and capital expenditures, etc. A continuous audit of the railways' accounts shall be made by independent auditors appointed annually by a resolution Parliament, reports of such audits to be submitted annually to Parliament.

For the purposes of effecting economies and providing for more remunerative operation, the Canadian National and Canadian Pacific Railways are hereby directed and authorized to attempt forthwith to agree and continuously endeavour to agree upon such cooperative measures to effect that purpose, all proposed plans or arrangements to be on a fair and reasonable apportionment as between the employees of the two Companies. Disputes between the two Companies shall be submitted to a Tribunal of Arbitration consisting of Chairman, the Chief Commissioner of the Board of Railway Commissioners for Canada and a representative of each railway, upon it being made to appear to him that the dispute is of sufficient importance. The railways separately or jointly may apply to the President of the Exchequer Court of Canada, or in the event of such President acting as Chief Commissioner, a Judge of the Supreme Court of Canada for the appointment of two additional members to the Tribunal, all reasonable fees and expenses of the Tribunal to be apportioned by the presiding officer against the two railways.

Nothing in this Act shall be deemed to authorize the amalgamation of any railway company comprised in the two railways, or unified management and control of

the two railway systems.

Edward VIII, Chapter 25, assented to June 23, 1936 (incorporating Bill # 21 passed by the House of Commons, June 5, 1936) an Act to amend The Canadian National - Canadian Pacific Act, 1933.

Part 1 of Act 23 - 24, George V, Chapter 33, May 23, 1933 respecting appointment of three (3) Trustees is hereby repealed, and the Governor-in-Council may appoint a Board of seven Directors in the place thereof. One of said Directors may be appointed Chairman of the Board who shall devote his whole time to the performance of his duties. Sums paid to Directors shall be fixed by Governor-in-Council. Of the original Directors including the Chairman of the Board, three shall be appointed for terms of three years each from appointment, two for terms of two years each, and two for terms of one year each.

The Directors shall appoint, subject to the approval of the Governor-in-Council, a President of the National Company, who may be the Chairman of the Board of Directors, or a person, other than one of the Directors.

A continuous audit of the accounts of National Railways shall be made by independent auditors appointed annually by a joint resolution of the Senate and House of Commons, and annually reporting to Parliament in respect of their audit.

The Conservative Government of the Right Honourable R. B. Bennett was defeated in the General Election held October 14, 1935, and on October 23, 1935 the Liberal Government of Right Honourable W. L. MacKenzie King assumed office.

On June 23, 1936 under Act 1, Edward VIII, Chapter 25, the Liberal Government passed a revision of the Canadian National - Canadian Pacific Act vacating the Trustees and restoring the appointment of seven Directors one of whom shall be Chairman.

### **CAPITAL REVISION ACT 1937**

"The Canadian National Railways" Capital Revision Act 1937. Act 1, George VI, Chapter 22, Dominion of Canada, assented to April 10, 1937 and brought into force by Proclamation issued April 30, 1937 provided for the cancellation of capital stocks and certain indebtedness of the Canadian National Railway System to His Majesty and for adjustment of the accounts of the system.

The provision of this Act have been carried out. The previously outstanding capital stock of the Canadian National Railways Company, formerly the Grand Trunk Railway Company of Canada, having a par value of \$50,424,327 has been surrendered by the Government and cancelled. The outstanding capital stock of the Canadian Northern Railway Company amounting to \$82,000,600 has been surrendered by the Dominion and cancelled. The remainder of the outstanding stock of the Canadian Northern Railway Company amounting to \$18,000,000 has been transferred from the Dominion to the Canadian National Railway Company in exchange for one million no par value shares of the latter company, which is its entire issued share capital. The Capital stock of the Canadian National Railways Securities Trust, consisting of 5,000,000 of no par value has been issued as consideration for the transfer to the Securities Trust of the indebtedness of the railway system to the Dominion as set out in Schedule A to the Act, and of the collateral Securities held in respect thereof.

The adjustments authorized under the Act were entirely confined to the relationship between the Government and the railway, and did not in any way deal with the large funded debt of the System in the hands of the public

Order-In-Council P.C. 2332 dated September 10, 1936 appointed S. J. Hungerford and five other Directors to replace Trustees as follows:

S. J. Hungerford,	Montreal	Chairman
J. Y. Murdock, K.C.,	Toronto	
Wilfred Gagnon,	Montreal	
H. J. Symington, K.C.,	Montreal	
D. H. McDougall,	Montreal	
R. J. Moffat	Bradwell, Saskatchewan	

Order-In-Council P.C. 2428 dated September 17, 1936 appointed B. L. Daly of Winnipeg as the seventh Director.

The Board of Directors appointed S. J. Hungerford, President on October 29, 1936 and this appointment by Order-In-Council P.C. 2955 dated November 18, 1936.

Order-In-Council P.C. 8316 dated September 14, 1942 accepted the resignation of S. J. Hungerford as Chairman and President and appointed R. C. Vaughan to succeed him. This appointment became effective October 1, 1942.

The Canadian National Railway Company started off in 1923 as a collection of insolvent railway lines with a fantastic interest debt. During the first World War the Canadian Northern, The Grand Trunk and the Grand Trunk Pacific through a combination of bad judgement and bad luck found themselves in financial difficulties and they were forced to turn to the Federal Government for assistance. In some cases they borrowed directly from the Government. In other cases they resorted to borrowing from the public, and the Government guaranteed their bonds. In other words their debts were backed by the prestige and resources of our National Government.

Eventually it became clear that these three Companies would not be able to carry on, and something had to be done about it. Ordinarily when a company is declared bankrupt there is a recognized procedure for winding up and paying off the creditors with so many cents on the dollar. But in this case the Federal Government itself was the largest single creditor, so it was decided that these companies should not go through bankruptcy proceedings and instead were taken over by the Government. With all their debts intact these three railways were entrusted to the Canadian National Railway Company in 1923 along with the former Canadian Government Railways.

These were the circumstances under which Sir Henry Thornton brought his genius for leadership to the presidency of the Canadian National Railway System. The management of the day was faced with a financial hopeless prospect. The component lines as a group could not even meet operating expenses. The average operating loss in the five years before consolidation was over nine million dollars annually, and other income charges brought the average annual loss close to twelve million dollars.

Here is what the liabilities side of the balance sheet looked like in January 1, 1923:

Funded Debt held by public	\$804,503,000
Loans from Government	\$506,946,000
<b>Total Funded Debt</b>	<b>\$1,311,449,000</b>

The annual interest charges on this debt amounted to over \$35,000,000 per year and in addition there were over \$28,000,000 in annual interest charges owing to the Government. There were other factors, too, that condemned the Canadian National Railways to chronic deficits. Large expenditures had to be made to coordinate the various lines and bring them to the standard required for efficient operation; yet there was no way of securing the necessary money other than by borrowing from the public or the Government, and of course this added still more to the annual interest charges. No provision was made for further investment by the owners which is the usual practice in a business concern. Although the Dominion of Canada owned all the railways comprising

the Canadian National Railways; all the money provided by the Government took form of a loan on which fixed interest was payable so that the Government's position after 1923 was more like that of a Banker or an outside creditor than a proprietor.

The Canadian National Railways thus started off with a low earning capacity and an impossible load of fixed interest charges. Over a period of 26 years from 1923 to 1948 these varied from \$35,041,000 in 1923 to a high of \$56,965,000 in 1932 or an average 1923-1948 of \$47,563,000. It stands greatly to the credit of the management and employees alike that since its formation in 1923 the Canadian National Railways has never failed in any year to meet its operating expenses for 1926, 1929 and the war years 1941 - 1945 inclusive, the system even managed to meet all interest charges due the public and the Government. The average deficit for the 26 year period was nearly \$20,000,000. The addition of the Newfoundland Railway increased the deficit to \$30,000,000 because of the excessive fixed charges the Railway has to pay.

The Capital Revision Act of 1937 was not intended to provide a satisfactory or final adjustment of the capital structure. What it did was:-

First It was the practice for the Government to loan money to the C.N.R. in order to meet the deficits. Of course this added more to the interest charges and so increased the deficits which in turn required more loans, adding more to the interest charges and so on in vicious circle. This practice was stopped in 1932 and deficits thereafter were voted by Parliament as they are today. The 1937 Capital Revision Act wrote off all loans that had been made to cover deficits and also interest on Government Loans unpaid.

Secondly The Act cancelled some \$240,000,000 of Grand Trunk and Canadian Northern stock that had been declared worthless by arbitration many years before.

Thirdly \$270,000,000 on loan for purposes of additions and betterments were converted to equity capital, so the C.N.R. was relieved of paying fixed interest on this amount.

The main point to be remembered, therefore was that the Capital Revision Act of 1937 was mainly concerned with the writing off of loans for deficits and the unpaid interest on Government Loans, and as such was belated recognition that these deficits should have been met year by year with funds voted by Parliament as they are now. None of the money invested in the property itself by the Government was written off by the 1937 Capital Revision Act nor was there any reduction in the interest-bearing debt in the hands of the public.

## **CAPITAL REVISION 1952**

On December 29, 1948 an Order-In-Council was issued appointing The Honourable W. F. A. Turgeon, K.C., L.L.D., a member of the King's Privy Council,

Henry Forbes Angus, Esquire, Professor of Economics, University of British Columbia,

Harold Adams Innis, Professor of Political Economy, University of Toronto, to be a Commission to report on representations made to the Government that, by reason of economic, geographic and other disadvantages certain sections of Canada are adversely affected by transportation difficulties and by certain anomalies which are said to be found in the existing tariffs of Tolls and Rates, and without restricting the generality of the

above, the Commissioners should in particular:

(a) Review and report upon the effect, if any, of economic, geographic or other disadvantages under which certain sections of Canada find themselves in relation to the various transportation services therein.

(b) Review the Railway Act and make recommendations.

(c) Review the Capital Structure of the Canadian National Railway Company and report on the advisability of establishing and maintaining the fixed Charges of the C.N.R. on a basis comparable to other major railways in North America.

(d) Review the present-day accounting methods and statistical procedure of the railways in Canada, and report upon advisability of adopting measures conducive to uniformity in such matters.

(e) Report upon results achieved under the CN-CP Act of 1933 and make recommendations as the present situation warrants.

(f) Report on any feature of the Railway Act which might advantageously be revised or amended in view of present-day conditions.

In its submission to the Turgeon Royal Commission on Transportation the C.N.R. asked for relief equivalent in amount to \$30,000,000 annually, and in a personal statement Mr. Donald Gordon proposed a method of getting at it. After having heard arguments from all sides in public hearings the Royal Commission on its Report submitted February 9, 1951 concluded the C.N.R. had established a case for the reduction of fixed interest charges, and the submission provided the foundation for the Royal Commission's report and in turn provided the basis for Act 1, Elizabeth II, Chapter 36, assented to July 4, 1952, and known as the Canadian National Railways Capital Revision Act. Although this Act only became law on July 4, 1952, the Act operates and became effective on January 1, 1952.

**The Capital Revision Act provides:**

3 - (1) The Minister of Finance shall release the C.N.R. by instrument in writing from all claims by Her Majesty to payments falling due after December 31, 1951. The total amount so released to \$736,385,405; being 50% of the total indebtedness of the C.N.R. to Her Majesty and the Public on December 31, 1951 on account of borrowed capital.

(2) In consideration of the release by the Minister of the claims specified in above the C.N.R. shall issue and deliver to the Minister of Finance 736,385,405 shares of 4% preferred stock of the C.N.R.

(4) In order to relieve the C.N.R. for a period of ten years from its obligation to pay interest on a portion of its indebtedness to Her Majesty.

(a) The Minister of Finance shall by instrument in writing release the C.N.R. from all claims by Her Majesty to payments falling due after December 31, 1951 on account of principal and interest in respect of loans specified in Schedule B, to be



\$100,000,000.

(b) In consideration thereof the C.N.R. shall deliver to the Minister of Finance an instrument in writing evidencing an obligation of the C.N.R. to pay Her Majesty the sum of \$100,000,000 on January 1, 1972 with interest thereon including the ten years beginning January 1, 1952.

5 - (a) The Minister of Finance shall upon releasing the C.N.R. in accordance with Sections 3 and 4 surrender to the C.N.R. for cancellation the instruments specified in Schedules A and B, evidencing the indebtedness of the C.N.R. to Her Majesty in respect of Loans specified in Schedules A and B.

(b) The Securities specified in schedule A, 4<sup>th</sup>. column shall be transferred to the Securities Trust.

6. The Minister of Finance shall in respect of each year of the C.N.R. commencing in the years 1952 to 1960 inclusive, purchase at par from the C.N.R. Company shares of 4% preferred stock of the C.N.R. having a total par value when added to the par value of shares of such stock purchased under section 2 equal to 3% of the gross revenue of the C.N.R. system on the fiscal year as certified by the auditors of the C.N.R. System.

7. The C.N.R. is hereby authorized to issue such shares of 4% preferred stock as are necessary to carry out the provisions of this Act.

B -(1) The Capital Stock of the Securities Trust shall consist of five million shares of no par value.

(2) The Minister of Finance shall with the approval of the Governor-in-Council transfer to the C.N.R. the Capital Stock of the Securities Trust held by him on July 4, 1952, and in consideration thereof the C.N.R. shall issue and deliver to the Minister an equal number of shares of no par value of the Stock of the C.N.R. Company which shall be shown in the accounts of Canada and the books of the C.N.R. Company as having an initial stated value of \$373,518,135.

(3) The Capital Stock of the Securities Trust shall be shown in the Securities Trust as having a stated value of \$378,518,135 as of January 1, 1952.

To summarise briefly the Act has done this:-

(1) Half the interest-bearing debt has been changed to preferred stock on which after settling income taxes we must pay up to 4% as a dividend if it can be earned.

(2) For ten years at least no interest need be paid on the \$100,000,000 long term debt.

(3) From now on the Government will buy more preferred stock each year in amounts which are 3% of the Gross Revenue.

What the Act has not done:-

(1) It has not written off any of the money invested in the C.N.R.

(2) It has not guaranteed as against the possibility of deficits. The C.N.R. still owes interest charges amounting to some \$24,000,000 a year and if they are it will still be in the red.

(3) It has no direct effect on the amount of taxes that Canadians are called upon to pay, but it will do much to correct the false impression that the C.N.R. has been losing money on its current operations, and is thereby a burden on the taxpayers. Thanks to the Capital Revision Act 1952 operating surpluses will no longer be swamped with interest charges which simply reflect the cost of someone else's mistakes at some other time in the distant past and leaving nothing to do with what is happening here and now.

#### CAPITAL REVISION ACT 1952

	Balance at December 31, <u>1951</u>	Adjustments under Capital Revision Act <u>Jan. 1, 1952</u>	Transactions Jan. 1, 1952 to Dec. 31, <u>1960</u>	Balance at Dec. 31, <u>1960</u>
Equity Capital	\$	\$	\$	\$
Capital Stock Canadian National Railway Company	18,000,000	378,518,135(a)	-36,555,118	359,963,017
Capital Stock Canadian National Railways Securities Trust	378,518,135	-378,518,135(a)		
Canadian National Railway Company 4% Preferred Stock		736,385,405(b)	189,199,859	925,585,264
Capital Investment of Canadian Government in Canadian Government Railways	379,877,514 <b>\$776,395,649</b>	<b>736,385,405(b)</b>	55,717,367 <b>208,362,108</b>	435,594,881 <b>1,721,143,162</b>
Per Cent of Capitalization	34.5%			48.4%
Long Term Debt	1,472,770,809			1,828,329,943
Total Capitalization	2,249,166,458			3,549,473,105

**Note (a)** The Capital Stock of the Securities Trust previously owned by the Government of Canada, was transferred to the Canadian National Railway Company in consideration for a like amount of Capital Stock of the Canadian National Railway Company.

**Note (b)** The 4% Preferred Stock is represented by shares having a par value of one dollar each, in respect of which non-cumulative dividends shall, from time to time, be paid to the extent that earnings are available for distribution in any year.

The amount issued under the adjustment authorized by the Capital Revision Act, and for which a like amount of Government of Canada loans have been cancelled, is equal to fifty percent of the Borrowed Capital at December 31, 1951. The 4% Preferred Stock purchased by the Government of Canada was issued under the provisions of the Canadian National Railways Capital Revision Act 1952. This Act provides that in respect of the years 1952 to 1960, inclusive, the Government of Canada shall purchase, at a par value of one dollar each, shares of stock having a total par value equal to 3% of the gross revenue of the National System.

Under agreement dated May 13, 1954 the companies listed below agreed to amalgamate with the Canadian National Railway Company. This agreement was sanctioned and approved by Order-In-Council P.C. 1954-715 issued May 13, 1954 and became effective when filed with the Secretary of State on June 8, 1954.

The Lachine, Jacques Cartier and Maisonneuve Railway Company	\$ 120
The Maganetawan River Railway Company	30,000
The Montreal and Province Line Railway Company	1,000,000
The Ottawa Terminal Railway Company	250,000
The Canadian Express Company	1,768,800
National Transcontinental Railway Branch Lines Company	500
<b>Total</b>	<b>\$ 3,049,420</b>

The shares of the capital stock of the amalgamating companies were cancelled.

Under Agreement dated May 17, 1956, approved by Order-In-Council P.C. 1956-733 issued May 17, 1956.

	<u>Capital Stock</u>
The Canadian Northern Railway Company	\$ 18,000,000
The Canadian Northern Alberta Railway Company	3,000,000
The Canadian Northern Ontario Railway Company	10,000,000
The Canadian Northern Railway Express Company Limited	1,000,000
The Canadian Northern System Terminals (Limited)	2,000,000
Canadian Northern Steamships, Limited	2,000,000
The Niagara, St. Catharines & Toronto Navigation Company (Limited)	100,000
Canadian Northern Consolidated Railways	35,306,600
The Grand Trunk Pacific Railway Company	24,920,200
The Grand Trunk Pacific Branch Lines Company	200,000
The Grand Trunk Pacific Saskatchewan Railway Company	20,000
The Grand Trunk Pacific Development Company Limited	3,000,000
Grand Trunk Pacific Terminal Elevator Company (Limited)	501,000
Manitoba Northern Railway Company	500,000
The Montreal and Vermont Junction Railway Company	197,300
The Stanstead, Shefford and Chambly Railroad Company, and	608,333
The Pembroke Southern Railway Company	107,800
<b>Total Capital Stock</b>	<b>\$101,461,233</b>

Agreed to amalgamate with the Canadian National Railway Company. This agreement was filed with the Secretary of State of Canada on June 11, 1956 on which date the amalgamation became effective.

The capital stock of the Canadian National Railway Company shall be and stand as the capital stock of the amalgamated company, and the capital stocks of the several amalgamating companies shall be treated as cancelled.

By agreement dated November 27, 1958 the undernoted Companies were amalgamated with and under the name of the Canadian National Railway Company. This agreement was approved by Order-In-Council P.C. 1958-1620 dated November 27, 1958

and became effective on December 12, 1958.

The Buffalo and Lake Huron Railway Company  
The Thousand Islands Railway Company  
The Oshawa Railway Company  
National Terminals of Canada Limited

"THE QUEEN ELIZABETH - MONTREAL, QUEBEC"

The Queen Elizabeth was constructed during the years 1954-58 with funds appropriated by Parliament for Canadian National Railways. The gross capital cost of the hotel which was included in Property Investment accounts of Canadian National Railways, was \$25,730,008.91.

On 8<sup>th</sup>. November, 1954, an Agreement was completed between Canadian National Railways and Hilton of Canada Limited, for the latter Company to manage and operate the Hotel for a term of fifteen years from the date that it was first opened to the public.

The Hotel opened its doors to the public on 17<sup>th</sup>. April, 1958.

Number of Guest Rooms - 1960 1,182

Date Opened April 17, 1958

Original Capital Cost \$25,730,008.91

Investment (Gross) at December 31, 1960

Building \$20,871,891.26

Furnishings and Equipment 4,936,985.20

**Total \$25,808,876.46**

Return to C.N.R. 1960 \$ 1,401,384.00

LONG TERM DEBT AS OF DECEMBER 31, 1960

Bonds, Debentures and Equipment Obligations		Currency in which payable	Date of Maturity	Outstanding December 31, 1961
<u>COMPANY</u>	<u>SECURITY</u>			
Canadian Northern Alberta	3½% Deb. Stock	Sterling	May 19, 1961	\$ 3,597,518
Grand Trunk Pacific	3% Bonds	Ca.-U.S. Stg.	Jan. 1, 1962	26,465,130
Grand Trunk Pacific	4% Bonds	Ca.-U.S. Stg.	Jan. 1, 1962	7,999,074
Canadian National	8 Yr. 1½ month Bonds	Canadian	Feb. 1, 1963	250,000,000
Canadian National	5 Yr. 5½% Bonds	Canadian	Feb. 15, 1964	199,000,000
Canadian National	17 Yr. 3% Bonds	Canadian	Jan. 3, 1966	35,000,000
Canadian National	20 Yr. 2¾% Bonds	Canadian	Jan. 2, 1967	50,000,000
Canadian National	6½ Yr. 4½% Bonds	Canadian	April 1, 1967	73,500,000
Canadian National	9 Yr. 5% Bonds	Canadian	May 15, 1968	56,400,000
Canadian National	20 Yr. 2⅞% Bonds	Canadian	Sept. 15, 1969	70,000,000
Canadian National	21 Yr. 2⅞% Bonds	Canadian	July 16, 1971	40,000,000
Canadian National	20 Yr. 3¾% Bonds	Canadian	Feb. 1, 1974	200,000,000
Canadian National	25 Yr. 2¾% Bonds	U.S.	Feb. 15, 1975	6,000,000
Canadian National	18 Yr. 5% Bonds	Canadian	May 15, 1977	86,400,000
Canadian National	23 Yr. 4% Bonds	Canadian	Feb. 1, 1981	300,000,000
Canadian National	25 Yr. 5¾% Bonds	Canadian	Jan. 1, 1985	99,500,000
Canadian National	27 Yr. 5% Bonds	Canadian	Oct. 1, 1987	173,250,000
Grand Trunk Western	4½% Note	Can.-U.S.	Sept. 15, 1979	400,000
Buffalo and Lake Huron	5½% 1 <sup>st</sup> . Mtge. Bonds	Sterling	Perpetual	795,366
Buffalo and Lake Huron	5½% 1 <sup>st</sup> . Mtge. Bonds	Sterling	Perpetual	1,228,399

Various	5% Debenture Stocks	Sterling	Perpetual	88,972
Various	4% Debenture Stocks	Sterling	Perpetual	8,784
Equipment Trust				
Certificates - Series "V"	2 <sup>3</sup> / <sub>4</sub> %	Canadian	Jan. 15, 1961	675,000
<b>Total Bonds, Debentures and Equipment Obligations</b>				<b>\$1,680,308,243</b>
Government of Canada Loans and Debentures				
Capital Revision Act January 1, 1972	Debenture	Canadian		\$100,000,000
C.G.R. Advances for Working Capital		Canadian		16,983,762
Financing and Guarantee Acts Temporary loans		Canadian		31,037,938
Refunding Act 1955 Loans for Debt Redemption		Canadian		-
Total Government of Canada Loans and Debentures				148,021,700
<b>Total Long Term Debt</b>				<b>\$1,828,329,943</b>