

the number of passengers carried in recent years, the number in 1925 being the lowest since 1912, when the population of the country was much less than at the present time. The tonnage of freight carried in 1925 was also smaller than in any year during the period 1917 to 1920. The former phenomenon is generally attributed to the competition of the automobile on the improved highways of the country, and the latter is not unconnected with the increase in the use of automobile trucks, though the consolidation of the railways is also a factor, since freight is less often transferred from one railway to another. For a better measure of freight traffic see "tons of freight carried one mile" in Table 8.

The statistics of gross earnings and operating expenses illustrate the difficulties confronting our railways in recent years. Before the war it was generally held that, on account of the enormous initial investment required in roadbed and equipment, a railway's operating expenses should not exceed about two-thirds or 70 p.c. of its gross earnings, the remainder being required to meet interest on capital invested, whether in stocks or bonds, as well as to provide for necessary improvements. The ratio of operating expenses to gross earnings is called the operating ratio, and in 1913 the Canadian operating ratio was 70.90 p.c. The new conditions of the war period, especially the higher cost of labour and of fuel, swelled the operating ratio in spite of advances in freight and passenger rates, until in 1920 it reached 97.18 p.c., since when there has been a gradual decline, 1925 showing a considerable improvement as compared with 1924, with an operating ratio of 81.70 p.c., as compared with 85.77 p.c. This reduction was a rather notable achievement, for, although gross earnings were nearly \$10,000,000 higher, due in large measure to the increased grain crops in 1925, operating expenses were reduced by over \$10,000,000, resulting in largely increased net operating revenues for 1925 and in a reduction of 4 p.c. in the operating ratio.

In Table 6 will be found an analysis of the distribution of the operating expenses of steam railways for the last four years, the 1925 figures showing substantial economies as compared with 1924 in three of the five classes; traffic expenses and equipment maintenance showed slight increases. The earnings and operating expenses per mile of line and per train mile are analysed in Table 7.

5.—Summary of Steam Railway Statistics of Freight and Passenger Traffic and Ratio of Expenses to Earnings, years ended June 30, 1901-1919, and calendar years 1919-1925.

NOTE.—These statistics were published for the years 1875-1900 on p. 434 of the 1916-17 Year Book.

Years.	Miles in operation.	Total train miles.	Passengers carried.	Freight carried.	Gross Earnings.	Operating Expenses.	Ratio of expenses to receipts.
	No.	No.	No.	Tons.	\$	\$	p.c.
1901.....	18,140	53,349,394	18,385,722	36,999,371	72,808,740	50,368,726	69-06
1902.....	18,714	55,729,856	20,079,974	42,376,527	83,666,503	57,343,592	68-54
1903.....	18,988	60,382,920	22,148,742	47,373,417	96,064,527	67,481,524	70-25
1904.....	19,431	61,312,002	23,640,765	49,079,519	100,219,436	74,563,162	74-40
1905.....	20,487	65,934,114	25,288,723	50,893,957	106,467,198	79,977,573	75-12
1906.....	21,353	72,723,482	27,989,782	57,966,713	125,322,865	87,129,434	69-52
1907.....	22,452	75,115,765	32,137,319	63,866,135	146,738,214	103,748,672	70-70
1908.....	22,966	78,637,526	34,044,992	63,071,167	146,918,314	101,304,143	73-04
1909.....	24,104	79,662,216	32,683,309	66,842,258	145,056,336	104,600,084	72-11
1910.....	24,731	85,406,241	35,894,575	74,482,866	173,956,217	120,405,440	69-22
1911.....	25,400	89,716,533	37,097,718	79,854,282	188,733,494	131,034,785	69-43
1912.....	26,727	100,930,271	41,124,181	89,444,331	219,403,753	150,726,540	68-70
1913.....	29,304	113,437,208	46,185,968	106,992,710	256,702,793	182,011,690	70-90
1914.....	30,795	107,895,272	46,702,280	101,393,989	243,083,539	178,975,259	73-63
1915.....	35,582	93,218,479	46,322,035	87,204,838	199,843,072	147,731,099	73-92