

C.P.R. IS PREPARING FOR NEW EXTENSIONS

Directors Convinced that it is Prudent to Arrange Now for Future Capital Requirements

ASSETS TOTAL \$933,720,870

Report for Past Year Just Issued to Shareholders Shows Gross Earnings of \$129,814,823 and Net Earnings of \$42,425,927.

The Thirty-Third Annual Report of the Directors of the Canadian Pacific Railway Company for the year ended June 30th, 1914, has been issued to the shareholders. Among other things it says:—

The accounts of the company for the year ended June 30th, 1914, show the following results:—

Gross Earnings \$129,814,823
Working Expenses 87,888,896
Net Earnings \$42,425,927
Deduct Fixed Charges 10,227,851

Surplus \$32,198,616
Contribution to Pension Fund 125,000

Deduct Net Earnings of Pacific Coast Steamships, Commercial Telegraph and News Department, transferred to Special Income Account 2,115,842

From this there has been charged a half yearly dividend on Preference Stock of 2 per cent., paid April 1st, 1914, \$1,545,000, and three quarterly dividends on ordinary stock of 1 1/2 per cent., each, paid January 2nd, 1914, April 1st, 1914, and June 30th, 1914, \$12,600,000 14,145,026

From this there has been declared a second half yearly dividend on Preference Stock, payable October 1st, 1914, \$1,545,000, and a fourth quarterly dividend on ordinary stock of 1 1/2 per cent., payable October 1st, 1914, \$4,550,000 6,114,493

Leaving net surplus for the year \$9,998,254

In addition to the above dividends on Ordinary Stock, three per cent. was paid from Special Income. The Company's special income derived from various subsidiary companies amounted to \$10,446,812. From this dividends amounting to \$5,046,812 were paid, and a dividend amounting to \$1,950,000 will be paid October 1st.

The working expenses for the year amounted to 67.32 per cent. of the gross earnings, and the net earnings to 32.68 per cent., as compared with 66.82 and 33.18 per cent., respectively in 1913.

Four per cent. consolidated debenture stock to the amount of \$2,065,119 was created and sold, and of the proceeds the sum of \$238,000 was applied to the construction of authorized branch lines, and \$1,826,119 was devoted to the acquisition of the securities of other railway companies whose lines constitute a portion of your system, the interest on which had, with your sanction, been guaranteed by your company.

Four per cent. preference stock to the amount of \$300,000 was created and sold for the purpose of meeting capital expenditures that had previously been sanctioned by you.

Your guarantee of interest was endorsed on the four per cent. consolidated bonds of the Minneapolis, St. Paul and Sault Ste. Marie Railway Company, to the amount of \$1,947,000, issued and sold to cover the cost of 97.35 miles of railway added to that company's system.

During the year 259,371 acres of agricultural land were sold for \$4,618,420, being an average of \$17.80 per acre. Included in this area there were 6,318 acres of irrigated land, which brought \$66.93 per acre, so that the average price of the balance was \$16.57 per acre.

TORONTO TERMINALS.

To give effect to an agreement with the city of Toronto, and to an order of the Board of Railway Commissioners requiring the railway companies to provide a union passenger station and joint terminals commensurate with the passenger traffic of the city, and to eliminate grade crossings by the elevation of their tracks in the joint terminals on the water front, the Toronto Terminals Railway Company has been organized with the sanction of Parliament, and a contract has been made between your company, the Grand Trunk Railway Company of Canada, and the Toronto Terminals Railway Company, for the construction and operation of the union passenger station and terminals, which fixes the rental to be paid by each company for the use of the facilities at five per cent. per annum on one-half the amount of the Terminals Railway Company securities outstanding at any time, provides for the joint and several guarantees by your company and the Grand Trunk Railway Company of Canada of the payment both as to principal and interest of the said securities, and establishes the basis on which the expense of operating the station and terminals shall be divided between the companies. The Dominion Government and the city of Toronto will participate in the expense of carrying out these works on a basis to be determined by agreement between the parties, or to be settled by the Railway Commissioners of Canada, but it is estimated that the portion of the cost to be borne by the Terminals Company will be approximately \$12,000,000. The contract will be submitted for your consideration and approval.

YEAR'S FINANCING.

The capital expenditure of over \$60,000,000 for cars and locomotives in the years 1910-1913 was so very large that your Directors decided that it would be proper to spread the payments for this year's deliveries, about \$14,000,000, over a period of fifteen years, under the terms of an ordinary Equipment Trust Agreement, and, therefore, a contract was made with the Victoria Rolling Stock and Realty Company to provide the equipment and receive payment in 15 annual instalments, with interest at four and one-half per cent. per annum. All of the equipment has been delivered, and the cost has been advanced by your company pending the sale of the Rolling Stock Company's bonds, when your Treasury will be recouped.

The accounts for the year show that \$57,579,997 had been advanced from your current funds to meet the cost of additional railway mileage and ocean steamers against which no securities have been issued or sold. In ordinary course, four per cent. consolidated debenture stock would have been utilized to meet this expenditure, but market conditions were not favorable to the sale of this security in large

amounts without unduly depressing the market price.

In these circumstances your Directors decided to create a special investment fund composed of the deferred payments on land sold, and securities in which land funds had been invested, to the amount of \$55,000,000, and to issue against this fund and the company's credit ten-year note certificates to the amount of \$52,000,000, carrying interest at the rate of six per cent. per annum, to be offered to the shareholders at 80 per cent. of their face value, thus providing all the money required for the present purposes of the company, and at the same time giving the shareholders participation in the proceeds of land sales to the amount of about \$10,000,000.

The issue was entirely successful. The note certificates, with interest, will be paid off in instalments without any encroachment on your revenue from traffic, and the four per cent. consolidated debenture stock can be marketed in such amounts and at such times as may be most advantageous.

Since the close of the last fiscal year first mortgage 5 per cent. bonds to the amount of only \$4,700 or \$214,873.33 have been taken up and cancelled, because the holders were unwilling to surrender their bonds at a premium satisfactory to your directors. The outstanding bonds, amounting to \$2,638,900 or \$12,842,646.67, will mature July 1st, 1915, and on or before that date they will be paid off and cancelled with funds set aside for the purpose.

CAPITAL INCREASE.

As mentioned in the notice to shareholders, the annual general meeting will be made special for the purpose of authorizing, if approved, an increase of the company's ordinary capital stock to the amount of \$75,000,000, namely, from \$50,000,000 to \$75,000,000, in order to make it accord with the amount for which the company has the sanction of Government. Although with the curtailment of capital expenditure no necessity exists for issuing an additional ordinary stock at this time, and there will be no resumption of works requiring any large amount of money until a decided improvement in business conditions furnishes ample warrant, your directors are convinced of the prudence of making provision at this time for your capital requirements covering a considerable period in the future. No portion of this increased amount will, of course, be issued by the directors until the sanction of the shareholders has been obtained at a special general meeting called for the purpose.

The death in January last of the Right Hon. Lord Strathcona and Mount Royal, G.C.M.G., was a source of sincere sorrow to your directors. Lord Strathcona was one of the prominent founders of the company, and he remained a member of the board of directors until the time of his death.

Your directors also report with regret the death, in April of this year, of Sir William Whyte, who had occupied a position of importance in the company's affairs for many years. As vice-president in charge of the company's interest west of Lake Superior, he proved himself a most capable and useful officer, and on his retirement from active service in 1911 he became a member of the board of directors.

Mr. A. M. Nanton, of Winnipeg, has been elected a director in place of the late Sir William Whyte. The vacancy caused by the death of Lord Strathcona has not as yet been filled.

As foreshadowed at the last annual meeting, the general balance sheet has been recast so as to show in more specific form the active and inactive assets of the company. In the schedule of these assets which appears in the annual report, the estimated value per acre of the unsold agricultural lands has been placed at lower figures than had been mentioned, in order that it might be quite on the safe side, but your directors and the officers of the land departments are satisfied that your unsold lands will eventually command much higher average prices per acre than those given in the schedule. The values fixed for the townships and other lands and properties available for sale are on a conservative basis, and the active assets taken into the schedule at cost could be readily disposed of at figures very much higher than those figures.

A GOOD ARRANGEMENT.

Some years ago, for the purpose of securing access to the state of Washington, and other important territory in the northwestern United States, the company entered into a working arrangement with the Spokane International Railway Company, extending from Kingsgate, on the line of your railway in British Columbia, to Spokane, Washington, a distance of 141 miles, with branch lines 22 miles in length. The volume of traffic secured by your lines by this connection has become so important that a more permanent arrangement is very desirable. Your directors have not as yet decided whether this could be best accomplished by the acquisition of the capital stock of the Spokane International Railway Company, by a guarantee of interest on its bonds, or by some other means, and therefore they will ask your authority to exercise their discretion in carrying out such a transaction for closer and more permanent relations with the Spokane International Railway Company as may appear to be most desirable in your interest.

The net revenue of the commercial telegraph system, Pacific Coast steamers, and news department, that in previous years had been incorporated in the revenue of the railway, is deducted from the surplus shown in the revenue statement this year, and transferred to special income account.

The undermentioned directors will retire from office at the approaching annual meeting. They are eligible for re-election:—Sir Thomas G. Shaughnessy, K.C.V.O., and Sir Thomas Skinner, Bart.

GENERAL BALANCE SHEET.

The general balance sheet, showing assets and liabilities, shows:

Assets.

Property Investment:

Railway \$328,084,064

Rolling Stock Equipment 153,256,394

Ocean, Lake, and River Steamships 24,171,162

Acquired Securities (Cost) \$515,511,621

Advances to Lines and Steamships Under Construction 107,867,740

Advances and Investments 35,571,959

Deferred payments on Land and Townsite Sales 12,330,195

Special Investment Fund: 4,140,413

Deferred Payments on Land and Townsite \$42,666,510

Government Securities 10,088,734

Deposited with Trustee 3,730,225

Working Assets:

Material and Supplies on Hand \$17,686,285

Agents and Conductors' Balances 3,221,360

Net Traffic Balances 538,996

Miscellaneous Accounts Receivable 10,511,665

Cash in Hand 36,777,725

Other Assets 66,780,973

153,022,494

\$933,720,870

*Security for issue of Note Certificates, \$52,000,000.

Liabilities.

Capital Stock:

Ordinary Stock \$50,000,000

Four Per Cent. Preference Stock 75,254,678

Four Per Cent. Consolidated Debenture Stock 178,307,470

Mortgage Bonds:

Canadian Pacific Ry. 1st Mortgage 5 per cent. \$12,342,646

Algoma Branch 1st Mortgage 5 per cent. 2,650,000

Note Certificates 5 per cent. 54,492,646

Premium on Ordinary Capital Stock Sold 45,000,000

Current:

Audited Vouchers 7,800,598

Pay Rolls 5,177,754

Miscellaneous Accounts Payable 9,048,037

22,091,390

Accrued:

Coupons due July 1st, 1914, and including Coupons overdue not presented 767,204

Rentals of Leased Lines 189,810

Equipment Obligations 14,850,000

Less Victoria Rolling Stock and Realty Co. Bonds on Hand 13,630,000

720,000

Reserves and Appropriations:

Equipment Replacement 2,491,518

Steamship Replacement 6,682,068

Reserve Fund for Contingencies 2,083,942

Net Proceeds Land and Townsites 66,771,271

Surplus Revenue from Operation 79,711,091

Surplus in Other Assets 127,253,782

\$933,720,870

IMPROVEMENT OUTLAY.

Details of expenditure on additions and improvements from July 1st, 1913, to June 30th, 1914, are given as follows:

Eastern Lines.

Additional sidings, buildings, stations and yards \$ 664,882

Permanent bridges and improvements of line 1,164,100

Double tracking 4,046,223

Right of way 7,127

Montreal terminals 890,847

Windsor street station extension 391,771

Double track bridge over St. Lawrence River 128,923

Western Lines.

Additional sidings, buildings, stations and yards \$ 1,329,064

Permanent bridges and improvements of line 548,176

Fort William terminals, including coaling plants 1,007,816

East Winnipeg yard 1,466,849

Winnipeg new elevator 203,178

Winnipeg station and hotel 1,255,926

Calgary hotel 1,289,928

Vancouver terminals 1,760,041

Double tracking 7,549,577

Right of way 8,993

Additions to office buildings and hotels 1,776,288

Rented and temporary sidings 317,075

Telegraph extensions and additions 95,402

Details of expenditure on leased and acquired lines, from July 1st, 1913, to June 30th, 1914, were:

New Brunswick Railway \$ 813,551

Atlantic & North West Railway 551,289

Montreal & Ottawa Railway 51,468

Montreal & Western Railway 46,666

Ontario & Quebec Railway 2,933,370

Manitoba and North Western Railway 96,016

Manitoba South Western Colonization Railway 41,704

Calgary & Edmonton Railway 294,770

Columbia & Kootenay Railway 3,540

Columbia & Western Railway 188,508

Cap de la Madeleine Railway 11,106

St. Maurice Valley Railway 8,811

Joliette & Brandon Railway 3,316

Ottawa, Northern & Western Railway 28,990

Lindsay, Bobcaygeon & Pontypool Railway 2,952

Georgian Bay and Seaboard Railway 68,989

Guelph & Goderich Railway 41,393

Tilsonburg, Lake Erie & Pacific Railway 25,045

Warkenton & Lucknow Railway 12,835

Great North West Central Railway 7

Nicola, Kamloops & Similkamen Railway 6,846

Kaslo & Slocan Railway 225,796

\$5,481,821

EARNINGS AND EXPENSES.

The statement of the earnings for the year ended June 30th, 1914, shows:

Passengers \$32,478,146

Freight 81,135,295

Mails 1,132,714

Sleeping Cars, Express, Telegraph and Miscellaneous 15,068,667

Total \$129,814,823

The statement of working expenses for the year ended June 30th, 1914, shows:

Transportation Expenses \$42,250,286

Maintenance of Way and Structures 16,426,532

Maintenance of Equipment 16,617,247

Traffic Expenses 3,626,632

Parlor and Sleeping Car Expenses 1,348,997

Expenses of Lake and River Steamers 1,185,397

General Expenses 4,823,103

Commercial Telegraph 1,615,687

Total \$87,888,896

ROAD AND EQUIPMENT.

The summary of lines owned and controlled and the equipments shows as follows:

Mileage included in C. P. R. Traffic returns 15,044

Mileage of other lines worked 384

Mileage under construction 893

Total 15,322

Mileage of Minneapolis, St. Paul and Sault Ste. Marie Railway 4,101

Mileage of Duluth, South Shore and Atlantic Railway 627

Total 4,728

Equipment.

Locomotives 2,248

First and second class Passenger Cars, Baggage Cars and Colonist Sleeping Cars 2,174

First class Sleeping, Dining and Cafe Cars 562

Parlor Cars, Official and Paymaster's Cars 96

Freight and Cattle Cars (all kinds) \$2,290

Conductors' Vans 1,427

Boarding, Tool and Auxiliary Cars and Steam Shovels 5,850

Ocean, Lake and River Steamers:

Atlantic Service—Empress of Britain, Lake Manitoba, Lake Michigan, Milwaukee, Montrose, Montcalm, Monmouth, Montreal, Rathalia and Tyrolia.

Temple, Montezuma, Montreal, Rathalia and Tyrolia.

Pacific Service—Empress of Asia, Empress of India, Empress of Russia, Empress of Japan and Montague.

Pacific Coast Service—Beaver, Charnier, Melanope, Nanosco, Nitinat, Otter, Princess Adelaide, Princess Alice, Princess Beatrice, Princess Charlotte, Princess Ema, Princess Maquima, Princess Mary, Princess Sophia, Princess Victoria, Princess Royal, City, Tees, Transfer No. 1, Transfer No. 2, Transfer No. 3, and Transfer No. 4.

Upper Lake Service—Alberta, Athabasca, Assiniboia, Keewatin, and Manitoba.

British Columbia Lake and River Service—Aberdeen, Bonnington, Castlegar, Columbia, Homer, Kaledon, Kootenay, Kuskanoak, Minto, Morley, Nelson, Nasookin, Naramala, Okanagan, Proctor, Roseland, Sandon, Sicamous, Slocan, Vathalla, Whistler, York and Ymir.

Bay of Fundy Service—St. George and Yarmouth Ferry Service—Michigan and Ontario.

RECEIPTS AND EXPENDITURES

Cash in hand, June 30th, 1913 \$30,274,848