

Canadian Northern Railway Company's Annual Report.

At the annual meeting in Toronto Feb. 1, the following directors were elected:—Sir William Mackenzie, President; Sir Donald Mann, Vice President; Z. A. Lash, Frederick Nicholls, R. M. Horne-Payne, R. J. Mackenzie, E. R. Wood and D. B. Hanna. All but Messrs. Wood and Hanna were members of the former board. E. R. Wood, as stated in the report, has been added to the board, and D. B. Hanna, who is Third Vice President, has also been added.

The following directors' report, over the signature of Sir William Mackenzie, was submitted at the annual meeting:

The results of the operations for the fiscal year ended June 30, 1914, are as follows:

GROSS EARNINGS.

From Passenger traffic	\$ 3,719,946.94
From freight traffic	18,316,055.73
From express, mail, telegraph, interest and profits from elevators and other subsidiary companies, investments, etc.	1,745,326.17

WORKING EXPENSES, (including taxes, etc.)	\$23,781,328.84
	16,450,763.09

Net earnings	\$7,330,565.75
Deduct: fixed charges	5,776,060.34

Surplus	\$ 1,554,505.41
From this deduct interest at 5% per annum paid on income charge convertible debenture stock outstanding	1,250,000.00

Net surplus for the year	\$ 304,505.41
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The gross earnings show a decrease, compared with the previous year, of \$496,149.63, or 02.04%. Whilst your directors regret that this year, for the first time in its history, they have to report a decrease of gross earnings, it is gratifying, due to substantial economies effected in the operation of the various undertakings controlled, that the net earnings from all sources show an increase of \$556,697.85, or 08.22%, over the preceding year. The working expenses were 72.02% of the gross earnings of the railway proper, and including taxes 69.18% of the gross earnings from all sources, compared with 74.64% and 72.10% respectively in the previous year.

During the year 413 miles of newly constructed track were added to the railway, the average mileage operated being 4,563 miles, compared with 4,297 the preceding year.

The land sales during the year were 3,692 acres for \$56,220.94, an average of \$15.23 an acre, compared with an average of \$15.36 for the preceding year. Land grant bonds of the issue of 1909, amounting to £122,600, were retired, leaving in respect of this issue outstanding £634,400. During the year £3,500,000 5% land mortgage debentures, repayable in or before 1923, have been created and £1,500,000 sold to public. Having regard to the fact that the National Trust Co. holds cash in its hands in excess of the amount required to retire the issue of 1899 land grant bonds, that the deferred payments when collected on the land actually sold will retire the balance of the issue of 1909 and leave a surplus of over \$4,800,000, that there are 857,356 acres of land still to sell, it will be seen that the redemption of these 5% land mortgage debentures in due course is amply provided for. In addition to the equities referred to above and the unsold lands, there has also been assigned to the trustees of these debentures as additional security \$10,000,000 of shares and \$10,000,000 4½% debenture stock of the Canadian Northern Town Properties Co. In addition to the issue of 5% land mortgage debentures, short term issues of secured notes and temporary loans were made at different times during the year, the proceeds of which have been or will be applied

to construction and betterment of the system generally. There have also been created during the year, under conditions hereinafter explained, \$45,000,000 of 4% debenture stock guaranteed unconditionally by the Dominion of Canada; this \$45,000,000 under ranks for security the existing issues of bonds and debenture stocks, including the 5% convertible income debenture stock. Car trust obligations were created to the extent of \$8,126,596.14, for the purchase of locomotives and passenger and freight cars of different kinds. During the year \$5,604,596.14 was repaid in respect of previous obligations, thus making a net increase on this account for the year of \$2,522,000.

As a result of the satisfactory grain crop of 1913 in Manitoba, Saskatchewan and Alberta, your company handled not less than 80,000,000 bush. of grain, or its equivalent in flour and other mill products. The gross revenue, therefore, for the first half year under review, showed a very substantial increase over the same period of the preceding year, and it was confidently felt because of this fact that, although there had been a perceptible slowing down of business generally throughout the Dominion, the expected falling off of traffic receipts for the succeeding six months would not approximate the increased revenues for the first half of the year. Notwithstanding the unexpected heavier loss in gross receipts, there are favorable features in certain classes of traffic handled which, with a return of business to normal conditions, must be of substantial advantage to your company in the future. At several points on the system, the mining of coal is being carried on with success. During the past year your company handled over 1,100,000 tons of commercial coal, in addition to which an average of 700 tons a day have been purchased from mines served by our own lines and used in the operation of our trains. Reference should also be made to an increase of 150,000 head of live stock over the preceding year. The increase is on account of the development of this industry in Saskatchewan and Alberta, which assures to the farmer a steady and regular income, quite apart from the profits in the growing of grain, and ensures to your company the movement of profitable traffic at all times of the year. The development of these features is the natural outcome of the policy which has been consistently followed by your company, and also to the fact that its lines have been constructed in territory particularly adapted to mixed farming.

During the year an important revision of the main line between Winnipeg and Port Arthur, across Rainy Lake, was completed. The revision is over 2½ miles long and replaces a part of the original line, which was largely on timber trestles, by permanent work, at the same time reducing the gradient to a maximum of 4-10 of 1%. The new line is built for double track and is laid with 80 lb. steel rails. The work includes some heavy excavation, a rock embankment over 1½ miles long and from 20 to 70 ft. in height above the bottom of the lake, and two permanent steel and concrete bridges, one of them a bascule lift bridge over the navigation channel. In addition to this other betterment work, representing large expenditures, was done over the entire system, which has so increased the efficiency of the service that the need for further expenditure in that regard may with safety be delayed until a return of normal business conditions.

As you are aware, the object of the board has been to secure a transcontinental railway system across Canada, and with that object the ownership or control of a num-

ber of independent companies was secured. The lines of some of these railways are so located that, being joined with your company's main line, they constitute a through and very direct route connecting Quebec, Montreal, Ottawa, Toronto, Winnipeg, Edmonton and Vancouver and Victoria by car ferry. The lines of the other companies constitute valuable branch lines and feeders. The problem of financing the completion of this main through line, and the development and betterment of this system generally, had to be solved. It did not seem practicable or desirable to continue as heretofore and complete the system while many of the separate or subsidiary companies constituting it remained in law, corporations independent of the C.N.R. company. Your directors, after careful consideration, decided that the time had arrived for the formal acquisition by your company of the control of the entire system and for the raising of money on the security of the general system, in order that the main through line might be completed and the construction, equipment and betterment of the works and undertakings of the system generally might be provided for. Owing to the public nature and importance to the people of Canada of the C.N.R. system, and that in the public interest it should be completed without delay, your directors explained to the Dominion Government their intentions with respect to the consolidation and completion of the system, and applied for a Dominion Government guarantee of securities to the extent of \$45,000,000, secured by a general charge upon the undertakings of the C.N.R. and upon the stocks of the subsidiary companies. The application having been favorably entertained by the Government, and the statute having been passed by Parliament, an agreement between the Government and the company was made and the control of the shares in the capital stocks of the subsidiary companies which had not previously been acquired by the C.N.R. Co. was transferred to it. The statute authorizes any railway company comprised in the Canadian Northern system to enter into arrangements and agreements with the Canadian Northern respecting the operation by the C.N.R. of its undertaking. This provision will greatly facilitate the consolidation of the system, and your directors intend to take advantage of it, so that, as far as possible, the whole system may be operated directly by the C.N.R. Co., and that a single or consolidated yearly balance sheet may be prepared. By the statute the capital stock of the C.N.R. is fixed at \$100,000,000, subject to increase only by the Dominion Parliament; provided that for the purpose of exchange of income charge convertible debenture stock, \$25,000,000 of which is now outstanding, there may be issued to such holders who exercise the option of exchange, the amount of capital stock over and above the \$100,000,000 required for the purpose. The statute also provides that no further issue of income charge convertible debenture stock shall be made under the trust deed securing the same. No shares in the capital stocks in the subsidiary companies beyond the amounts heretofore issued can be issued without the consent of the Government. As part of the terms upon which the Government guarantee was authorized, the statute required that there should be transferred to the Dominion of Canada \$33,000,000 par value of the C.N.R. Co.'s capital stock, in addition to the \$7,000,000 which was issued under the authority of the statute of 1913. The shareholders furnished this amount, and the Government is now a shareholder to the extent of \$40,000,000, out of a total of \$100,000,000 of stock. The provisions of the statute relating to the guarantee of the \$45,000,000 were all complied

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