

Canadian Pacific Annual Report

The twenty-second annual report of the directors of the Canadian Pacific Railway Company for the year ended June 30, 1930, was issued to the shareholders Monday.

The accounts of the company for the year ended June 30, 1930, show the following results:

Gross earnings	\$4,937,273
Working expenses	2,130,357
Net earnings	2,806,916
Interest on deposits and loans	264,932
Interest due from the Duluth, South Shore & Atlantic City, on consolidated bonds held by the company	462,000
Interest from St. Paul & Sault Ste. Marie Ry. Co. on consolidated bonds held by the company	10,730
Interest from Atlantic Hange Railroad Co. on bonds held by the company	50,100
	1,387,612

Deduct fixed charges	\$1,136,682
Surplus	1,670,234
Deduct amount set aside for cost of steamships	150,000
	\$92,490

From this there has been charged a half-yearly dividend on preference stock of 5 per cent paid 1st April, 1930, \$600,000. And a half-yearly dividend on ordinary stock of 3 per cent paid 1st April, 1930, \$2,112,500.

From this there has been declared a second half-yearly dividend on preference stock of 5 per cent, payable 1st October, 1930, \$600,000. And a second half-yearly dividend on ordinary stock of 3 per cent, payable Oct. 1st, 1930, \$2,538,000.

The working expenses for the year amounted to 63.97 per cent of the gross earnings, and the net earnings to 36.03 per cent, as compared with 62.44 and 37.56 per cent, respectively, in 1929.

Your directors deemed it desirable to acquire for your company control of the Kingston & Pembroke Railway, extending from Renfrew, on your main line, to Kingston, on Lake Ontario, a distance of 104 miles. It has been arranged that this be done at a cost of \$848,744, and you will be asked to approve the expenditure of \$2,002 shares of the preferred stock, and \$3,182 shares of the common stock, constituting about 83 per cent of the whole capital of the Kingston & Pembroke Railway Company, to be deposited with your treasury securities. The line is now being operated under working arrangements, and the company, pending the execution of a formal lease which will be submitted for your approval.

For several years past your company has been operating the Calgary & Edmonton Railway for account of the owners, receiving in return the benefit of all the traffic in either direction between the cities of Calgary & Edmonton line, and points reached by your system. The country along this line has been settled with considerable rapidity, and the contributed traffic has grown to large proportions.

Under these circumstances, your directors thought it wise to prevent the possibility of the railway passing into unfriendly hands, and, therefore, they entered into an agreement to lease the line, extending from Medford to Edmonton, in Alberta, a distance of 290 miles, for a period of 70 years, guaranteed by way rent of \$4 per cent per annum on the Calgary and Edmonton Railway Company's consolidated debenture stock, amounting to \$1,212,700. To insure the complete control of the property and its franchises, your directors contracted to purchase for your company all of the capital stock of the Calgary and Edmonton Railway Company, at a sum of \$500,000. You will be asked to

formally sanction their action and to approve the lease.

The agreement has been made with the Laidlaw, who have been made the sole Railway Company, for the lease, on its condition that the company's line from Burketon, on the main line of your Ontario and Quebec section, to Lindsay and Port Hope, a distance of about 40 miles. The rental to be paid is 40 per cent of the gross earnings, but not less than \$20,000 per annum, with the option to your company of acquiring the full ownership of the property at any time within twelve years, by undertaking to pay an increased rental not exceeding in all \$28,000 per annum. The agreement will be submitted for your approval.

The residue of the issue of preference stock previously authorized by you for the purposes of the company amounting to \$275,000, was created and sold during the year. Four per cent, consolidated debenture stock to the amount of \$704,350 was also created and sold, and the proceeds were used to cover the cost of the Pacific coast steamships, and for the acquisition of the bonds of other companies whose lines constitute a portion of your system, inasmuch as you had, with your authority, been guaranteed by your company.

The land sales for the year amounted to 2,535,617 acres for the price of \$3,650,617, being an average of \$3.61 per acre.

During the year the guarantee of your company as to interest was extended to the 1st of January, 1931, the Minneapolis, St. Paul and Sault Ste. Marie Railway company to the 1st of January, 1932, and the Canadian Pacific Railway company to the 1st of January, 1933. The cost of 127 7/10th miles of additional railway constructed by that company, to use the line of the Dominion government, of settlers, many of whom came into the country during the past two years, your directors have been authorized to construct a railway between Regina, on the main line, and Arcola, the present terminus of the Winnipeg branch, a distance of about 113 miles, and an arrangement has been made whereby the Manitoba, North-Western railway will be extended an additional distance of 23 miles. You will be asked to approve the construction of these lines and to authorize the creation and sale of sufficient 4 per cent, consolidated debenture stock for the purpose.

The original \$25,000,000 of 5 per cent, land grant bonds have been satisfied, the mortgage securing them has been cancelled. There remain outstanding \$15,000,000 land bonds bearing interest at the rate of 3 1/2 per cent, per annum guaranteed by the Dominion government. The proceeds of the sales of lands covered by the mortgage securing these bonds will be deposited with the Dominion government in accordance with the terms of the statute. Five hundred thousand dollars have been deposited during the past year, and the amount due on deferred payments will go far towards liquidating the amount in the next few years, when the residue of your lands will be relieved of the mortgage and the bonds will become government obligation; in the meantime, the government pays interest on the bonds at the rate of 3 1/2 per cent, per annum.

Under the authority of the resolution passed at the last meeting, your directors purchased from the Elder-Dempster company fifteen thousand shares of the common stock of the Canadian-Pacific fleet, the purchase price of the vessels and of the freight of the fleet being \$1,417,500 sterling. This amount has been temporarily advanced from your surplus capital, and the amount in and sale of 4 per cent, consolidated debenture stock to a like amount for the purpose of raising the \$1,417,500 sterling. An unfortunate accident resulted in the loss of one of the freighters of the fleet, the "Elder-Dempster," which was required in excess of the insurance to replace this vessel, will, of course, be charged against your surplus.

Of the proceeds of the sale of \$10,500,000 ordinary shares, there had been expended to the end of the fiscal year ending June 30, 1930, \$1,228,033, and there were orders outstanding for cars and locomotives undelivered amounting to \$4,221,563.

Since then additional orders have been placed to the amount of \$1,350,000, and it is proposed to continue the policy of purchasing rolling stock and locomotives, as rapidly as circumstances will permit, until the company is well ahead of its immediate requirements. When these contracts have been filled, the proceeds of the issue of common shares, as well as the amount of \$3,000,000 appropriated from surplus earnings, will have been absorbed. The cost of the cars and locomotives purchased during the last couple of years has been substantially increased, because of the necessity for getting so many of them outside of Canada, and paying the Canadian duty on their importation. In the near future, when your own shops have been completed, it is expected that you will be able to build yourselves most of the cars and locomotives required, thus saving the manufacturers' profit and the duty. Your directors will ask authority to expend \$5,000,000 during the next year in various classes of equipment in addition to all orders that have been placed up to this time.

Many of the new works on which capital has been expended are being carried on at a much more comprehensive scale than was originally contemplated and the increase of nearly 50 per cent in the cost of the construction of the new works annually has made it imperative that you should, for the convenience of the public and your own financial advantage, provide forthwith many additional facilities, calculated to assist in promoting promptness and economy in the handling of your traffic, that under ordinary conditions might have been required over a number of years. Notwithstanding your large output in the past few years, your existing facilities and other works of your more important terminals like St. John, Montreal, Quebec, Ottawa, and Winnipeg, the facilities at most of these points are quite inadequate for present demands, and as a result there is frequent congestion, resulting in inconvenience and expense to everybody concerned. With a view to remedying these conditions, and in order that the work of bringing your property to a high standard of efficiency should be continuous without cessation, you will be asked to authorize the directors to expend capital for the purpose of providing to an amount not exceeding \$4,500,000.

The condensed balance sheet on June 30 shows:

Cost of Railway and equipment	\$62,749,710
Ocean, lake and river transport	5,833,424
Less amount prepaid in advance of cost	1,308,224

Pacific coast steam-ships	2,845,459
Atlantic steamships	66,150
Acquired securities held	6,979,738

Buildings, and other real estate	4,430,868
Land, buildings and other real estate held in trust for the company	2,506,041
Deferred taxes on land and town site sales	13,914,840

Advances:	
Duluth & Atlantic railway, secured by \$1,000,000 first mortgage	4,241,414
To Duluth, South Shore & Atlantic railway, secured by \$1,000,000 first mortgage	2,062,233

Material and supplies on order	2,612,979
Station and traffic balances	5,088,738
Prepaid insurance	4,918,089

Advances and accounts due for mail transport	1,000,992
Cash in hand	290,067
Cash advanced for purchase Atlantic steamships pending completion of issue of securities	19,145,168

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Algonia branch 1st mortgage	3,600,000
North Shore railway 1st mortgage	615,119
Land grant bonds—Guaranteed 2 1/2 per cent on consolidated bonds	47,238,066
Less amount paid Dominion Government	15,000,000
Less amount paid Dominion Government	600,000

Current accounts, pay rolls and traffic balances	14,650,000
Interest on funded debt and rental of leased lines	7,153,471

Coupons due July 1st, 1930, and including coupons overdue, not accrued to date, not due	1,467,015
Accrued to date, not due	265,465

Equipment replacement	1,772,072
Equipment	688,595
Cash subsidies from Dominion and provincial governments and municipalities	90,229,149

Land grant—Banks of land and town sites	37,319,513
Surplus	18,346,111
	\$91,099,005

Improvements:	
Details of expenditure on additions and improvements from July 1st, 1930, to June 30th, 1931:	
Main line:	
Quebec to Bonfield—Additional sidings, buildings, stations and yards	71,657
Improvements of line—	37,658

Payment account purchase of Canadian Central railway	476
Bonfield to Port Arthur—Additional sidings, buildings, stations and yards	21,904
Improvements of line—	338,555
Wharves, docks and warehouses	5,149

Port Arthur to Lagan—Additional sidings, buildings, stations and yards	478,689
Improvements of line—	7,591
Wharves, docks and warehouses	64,130

Cost of new buildings, William	162,805
Amortization of buildings	67,105
Fort William	1,797,977

Less amount received from Dominion government, rebate of duty on locomotives	128,292
Less material	1,609,612

Additional Pacific Coast—Permanent sidings, buildings, stations and yards	161,819
Improvements of line—	187,946
Wharves, docks and warehouses	27,920

Diversions of line between Field and Bonfield	52,277
Montreal terminals	69,363
Branch lines—	375,380

Saskatoon and Arrow Rivers—	23,944
Branch—	226
Branch—	4,823
Buckingham branch—	5,239

Souris branch—	69,810
Branch—	1,000
Crow's Nest Pass branch—	49,347
Township extensions and additions	212,227
Montreal	10,793

Total for improvements, main line and branches	\$8,097,648
A summary statement of expenditure of proceeds of issue of new capital stock—	
Locomotives	177 \$3,375,205

Passenger, tourist and coal cars	82 644,128
Freight, mail and express	84 422,536
Baggage, mail and express	14 62,000
Conductors' vans	135 119,070

Furniture cars	1,110 \$7,747,643
Flat, coal and ore cars	1,190 1,202,716
Box cars and snow ploughs	22 30,386
New shops under construction	1,301,311

Additional shops and machinery	162,090
Reduction of grades and improvement of track	2,924,643
Buildings—Business	1,507,008
Crossings	718,075

Terminals—	
Freight required for and expenditure to enlarge terminals	4,706
Ottawa	73,384
Montreal	73,384
Winnipeg	73,384
	794,622