

ANALYSIS OF CANADIAN PACIFIC EARNINGS.

The large increase in earnings scored by the Canadian Pacific Railway has been pretty well advertised, not only over Canada, but in the States and in Europe as well. It furnishes one of the most reliable indications of the prosperity we are enjoying. It will be interesting to take note of the sources from which the increased traffic was drawn.

Net earnings from operations for the year ended 30th June, 1906, were \$22,973,312, to which must be added \$652,578, being "net earnings of steamships in excess of amounts included in monthly reports," bringing the total up to \$23,625,890. In the previous year the net earnings were \$15,473,088. The increase was, therefore \$8,150,802, or over 52 p.c. The reports give the following particulars of the receipts:

	1906.	1905.
From		
Passengers.....	\$16,041,615	\$13,583,052
Freight.....	39,512,973	31,725,290
Mails.....	707,008	703,896
Sleeping cars, express, etc....	* 6,060,740	4,469,644
	\$62,322,336	\$50,481,882

* The extra amount on steamships mentioned above, \$652,578, is here included.

Working expenses were as follows:

	1906.	1905.
Conducting transportation.....	\$18,785,696	\$16,905,849
Maintenance of way and structures.....	9,105,249	8,527,035
Maintenance of equipment.....	7,369,566	6,616,258
Parlor and sleeping car expenses.....	231,689	172,123
Expenses of lake and river steamers.....	511,391	515,397
General expenses.....	1,964,093	1,634,699
Commercial telegraph.....	728,762	635,433
	\$38,696,446	\$35,006,794

Including, as we have, the extra amount earned on steamships the gross receipts are greater than last year by \$11,840,454 of which \$8,150,802 are saved for the net increase.

Examining first the increase of \$2,458,563 in passenger receipts, it is to be noticed that it is wholly due to increase in the volume of traffic, the number of passengers carried one mile increased from 736,774,844 in 1905, to 870,339,686 in 1906. The earnings per passenger per mile remained stationary at 1.84 cts.; in other words rates remained unchanged. (In 1905 the earnings per passenger per mile rose to 1.84 cts., from 1.83 cts. in 1904.)

The freight statistics for the last three years are:

	1904.	1905.	1906.
Number of tons carried.....	\$ 11,135,896	\$ 11,892,204	\$ 13,933,798
Number of tons carried one mile.....	3,809,801.952	4,155,256.309	5,342,248,625
Earnings per ton per mile.....	0.77 cts.	0.76 cts.	0.74 cts.

This decrease of .03 cts. in the ton-mile receipts in the last two years does not necessarily mean that freight rates were reduced to that extent. These

rates are being adjusted practically all the time, and quite possibly the net result of changes made in rates for various articles resulted in diminishing the earnings per ton per mile. But it is only necessary to glance at the classification of freight forwarded to see that the increase in the quantity of low grade freight has had a good deal to do with decreasing the unit of receipts.

	1904.	1905.	1906.
Flour, brls.....	\$ 5,270,432	\$ 5,010,868	\$ 5,094,535
Grain, bush.....	52,990,151	59,739,180	82,196,648
Live Stock, head ..	1,314,814	1,360,560	1,428,340
Lumber, feet.....	1,267,804,321	1,435,758,930	1,804,648,962
Firewood, cords.....	270,803	261,794	264,459
Manufactured articles, tons ..	3,119,659	3,250,007	3,818,623
All other articles, tons.....	3,620,515	3,894,259	4,098,819

Thus the amount of lumber, which is one of the low priced items, increased over five hundred million feet, or not far from fifty per cent. Grain, another low-priced item, increased nearly thirty million bushels, considerably over fifty per cent. While flour, live stock, and manufactured articles on which the rates are higher, did not increase so much. Probably the best rates are received on manufactured articles. They increased 700,000 tons or about 23 p.c. Of course, with the development of the West the amount of grain, flour, and lumber, to be carried will increase steadily. The new settlers will, each year, add to the acreage in grain. And as the country fills up and becomes more wealthy its purchases of manufactured goods from the East will steadily increase. One of the most interesting features about the Canadian Pacific's showing is the gratifying decrease in the ratio of working expenses to gross receipts. For 1906 working expenses amounted to 62.75 p.c. of gross, as compared with 69.35 p.c. in 1905, and 69.42 p.c. in 1904. The drop this year is quite remarkable.

Though it was made possible largely because of the exceptionally mild and open winter, still the shareholders have good reason to hope that no inconsiderable part was due to increased efficiency and economy in operation.

A point to be remembered is that earnings may be concealed in heavy maintenance appropriations. In other words maintenance of way and structures, and maintenance of equipment, might include some items which could quite properly be charged to capital account rather than to current earnings. The general policy of American railroads is to go to extremes in this matter of making improvements and betterments out of earnings. In England, on the other hand the disposition is rather to charge everything to capital that can be so charged. The Canadian Pacific has followed a policy somewhat between the two though leaning considerably towards the American practice. Though the American practice does not give to the stockholders a full participation in the profits of very prosperous years it has much about it that is commendable. It is conservative. Dividends are apt to be steady instead of fluctuating, and if the stockholders do not get all they might get in prosperous years on the other hand they probably get more than they otherwise would when the lean years come around.