Canadian Pacific Railway Co's Annual Meeting.

The C.P.R. Co.'s shareholders' 39th annual meeting was held at Montreal, May 5, Lord Shaughnessy, Chairman of the company, presiding. E. W. Beatty, President, in moving the adoption of the annual report for the calendar year 1919, as published in Canadian Railway and Marine World for May, said:—The annual report and statements attached, which have been in your possession for some time, reflect very vividly the situation prevailing generally in respect of increased costs of operation. Notwithstanding that the company's gross earnings were the largest in its history, and exceeded those of 1918 by $19,391,362, the net earnings were less by $1,569,351. The large increase in working expenses of $20,960,713, following as it does an increase of $17,191,993 in the working expenses during 1918, or a total increase in 1919 over 1917 of $38,152,706, is a striking example of the effect of the increased cost of wages and material in the operations of a company, even one conservatively and economically administered as are the affairs of your company. While it is a matter of great gratification that, even with these exceptional costs, your company has been able during the past two years to earn its fixed charges and usual dividends, and very moderate surpluses, it is nevertheless important that the relation between earnings and expenses should now receive the most careful consideration. The results of the operations during the past two years show an upward trend in costs, which even extensive increases in gross earnings and effective operating economies, due to heavier loading, larger power and consequent reduced train mileage, have not equalized.

For the past 16 years the freight and passenger rates of all Canadian railways have been subject to review or have been fixed by the Board of Railway Commissioners. The rates have been readjusted from time to time, first being lowered and then increased, but the extent of the increase has not equalled the increased costs which have recently been forced upon all companies, and reductions in which cannot with any confidence be predicted at this time. During the fiscal year ended June, 1914, the working expenses of your company, with a mileage somewhat less than the operated mileage of last year, were $87,388,000, while for 1919 they had climbed to practically $144,000,000, an increase of 64%. Within that period, increases of nominally 40% in freight rates, and 15% in passenger rates have been authorized by the Board of Railway Commissioners. The actual increases owing to the adjustment of rates made by the board were in fact 30% in freight rates and 10% in passenger rates. The result, therefore, has been that during the past five years the percentage increase in operating expenses was double the percentage increase in tolls accorded to the companies.

Owing to the parity of conditions existing between the United States and Canada, the Canadian roads were forced, during the war, to put into effect the high scales made effective under government control of the U.S. roads and they were also compelled to continue operating under tariffs of tolls substantially the same as those in force in the U.S. These tariffs were entirely inadequate, as results in the U.S. clearly demonstrated. By legislation recently enacted, the U.S. carriers are assured of rates which will return a fixed percentage on the value of the undertakings used in the public service, which will mean a reconsideration of, and increase in, the rates now current in that country. No doubt the necessity of rate adjustments in Canada will be given earnest consideration by the government and the Board of Railway Commissioners. While it is not my purpose to anticipate any action which may be taken, it is only proper, I think, to say that a readjustment is amply warranted, both on the ground of the value of the service rendered by the carriers and the cost to them of performing such service.

It is further to be remembered, and I do not anticipate that it will be forgotten that the value of any enterprise to the people it serves depends greatly upon its ability to progress and develop, and on the maintenance of a high credit, without which such development cannot take place. Waste, extragagance and improvidence must be discouraged, but I can imagine nothing more detrimental to Canada than that its railway systems should be unable to keep pace in their own development with the progress of the country, and that they should be unable to aid that progress by the expansion of facilities, the construction of necessary new lines and by meeting the increasing demands of the public in the way of efficiency and comfort in service. Based upon accepted principles in other countries government compensation due to transportation and other public service corporations, the net earnings of your company have always yielded a moderate return upon the capital actually invested in the enterprise. The railway net earnings of the company for 1919 represent only a return of 4% on the actual cash invested in the railway itself. The operations for 1919, after the payment of fixed charges and the usual preference and common stock dividends, showed a nominal surplus of $844,249, which has been placed in reserve to meet the special taxation imposed by the Dominion Government, which special taxation ended in 1919. The company's fixed charges are low, the interest on the preference stock is equally low, and the dividend of 7% payable on common stock from railway earnings is moderate. A factor which seems to be lost sight of in these discussions of the relations between expenses and revenues, is the absolute necessity of reasonable surpluses, in the case of any corporation conducting an enterprise as extensive as that of your company. The company's gross earnings for the year exceeded $176,000,000 and the surplus, after deduction of the moderate fixed charges and dividends, only amounted to less than half of 1% of these earnings. Considering the importance of reasonable provision for working capital annually from the operations of the company if its high credit and ability to progress are to be maintained, it will readily be appreciated that the revenues during the past two years have been, to say the least, inadequate.

In the discussion which has taken place as to the desirability, or otherwise, of increased rates and therefore increased revenues to the Canadian railways, two theories are publicly mentioned. The first, that rates should be increased but that any surplus earnings thereby accruing to your company should be taken back through the medium of special taxes, and the second, that rates should not be increased but that the Government Railways' deficits, if such occur, should be met out of the general revenues of the country. Both theories are, in my opinion, unsound. Rates should be established which represent a fair return for the service rendered, and if, by efficiency and economy, and the character and extent of its equipment and facilities, a company can render its operations under such rates profitable, there is no warrant for the confiscation of those profits, nor can there be anything but doubtful honesty in the proposal that one company's revenue accruing to it from service actually rendered by it, and well performed, should be taken from it to supplement the revenue of a competitor whose operations do not show favorable results. It is scarcely necessary for me to say that the fairness, or otherwise, of any rate basis is not necessarily measured by the strength or resources of a company, or by the lack of them.

The second theory, that rates should not be increased, but that any deficits should be met from the general revenues of the country, is unsound economically and unfair alike to the government-owned and other railways. It is obvious that any system which permits services to shippers and others to be performed at unreasonably low rates is discriminatory in their favor, and discriminatory against the public, whose taxes are increased as a contribution to those who use railway facilities. In my opinion the rates in this country should be determined, having regard to the cost and value of the services rendered by the companies, and to the legitimate needs of the companies, if they are to meet the transportation requirements of the country. No doubt a question so important and far reaching in its effect will be given the careful consideration to which it is entitled, by those in authority and empowered to deal with it. I may say, however, that this company's properties are in excellent condition, and at no time in its history has it been better equipped to perform its important public services or to play its full part in the advancement of the transportation future of this country.

Irrigation.—In the annual report reference has been made to the company's irrigation project in Alberta, the construction of which was undertaken some years ago, and in the earlier progress of which some difficulties were met. The project has now become firmly established, and the success has been so pronounced during the past few years that further reference to this important undertaking is, I think, warranted. An area of 643,526 acres has been brought under irrigation, through the medium of 3,969 miles of irrigation canals and distributing ditches. Of this area 301,382 acres of irrigable land have been sold at an average price of $38.18 an acre. There is still for sale, within the block, 342,144 acres of irrigable land, for which there is at present a very active demand. During the period from the commencement of construction to Dec. 31, 1919, the company has expended in connection with the construction and maintenance of these irrigation works $15,186,348 and in their operation $1,761,268. The introduction of irrigation in Southern Alberta has made it possible to successfully produce, on irrigated land, splendid crops