

### Canadian Pacific's Exceptional Characteristics.

From the *Financial Chronicle*, New York.

The Canadian Pacific has had a very phenomenal history, and striking success has attended its operations and management from the beginning. In nothing, however, has its career been more unique than in the wonderful record of growth in traffic and earnings which it has established during the last few years, as also the great financial strength attained by the property and noteworthy way in which its finances have been handled, and to which its strong financial condition is in great measure to be ascribed. The annual report of the company, just issued, brings out these features in a very strong light.

The company makes regular weekly and monthly reports of its earnings, and hence, of course, it has been well known that earnings in the late calendar year (the period covered by the report) increased decidedly as compared with those of the year preceding. In gross the increase was \$1,168,256; in net, \$410,658. But this covers merely the changes for a single year, and gives no idea of the wonderful expansion in earnings which has occurred during, say, the last five years; for the gain in 1892 is simply additional to steady and continuous gains in all the years preceding. This is clearly shown in the following brief recapitulation of the gross and net earnings for 1887 and the five years succeeding. It is proper to state that 1887 was the first year when the road was operated for through business the entire twelve months.

	Gross earnings.	Net earnings.
1887.....	\$11,606,412	\$3,504,118
1888.....	13,195,535	3,870,774
1889.....	15,369,138	6,127,836
1890.....	16,552,523	6,299,700
1891.....	20,241,096	8,009,659
1892.....	21,409,351	8,420,347

Thus in the short period of five years gross earnings have risen from \$11,606,412 to \$21,409,351, and net earnings from \$3,504,118 to \$8,420,347, the upward movement in both cases having been uninterrupted through the whole five years. When it is remembered that much of the mileage of the system runs through new territory—territory which until the Canadian Pacific was built had very few settlements and but a small population—this record of growth will certainly be considered remarkable. In the construction of the road the company, as is known, received very important aid from Government sources, but without traffic and income to sustain the lines the enterprise must nevertheless have proved a failure. The fact that it has been possible to increase the earnings so decidedly is evidence at once of the good judgment and far-sightedness of the promoters of the undertaking and of the progressive and energetic way in which the property has been managed. This latter has been a marked characteristic in the conduct of the enterprise; besides developing the strictly local traffic of the road, or, rather, the traffic of the territory contiguous to the lines of the system, the management have reached out in various other directions to secure business. They have provided new campship lines across the ocean, have made

connections at several points with the United States system of roads, and have in many other ways displayed peculiar energy in extending the system's business. Some of these steps have not been to the liking of our own roads, but they have evidently been of advantage to the Canadian Pacific—at least, if a steadily-rising income, gross and net, is the standard by which to judge.

It is scarcely necessary to say that the great increase in earnings during the five years has not been made without a considerable increase in mileage. But that in itself in no way qualifies the importance of the growth in earnings. It has frequently happened that new mileage has failed to justify its existence for a long time after its construction—adding, perhaps, somewhat to gross receipts, but proving a steady drain on net earnings, and thus drawing down, instead of adding to, the net income of the parent company. In the Canadian Pacific case, the expansion in net income, we see, has been no less marked than the expansion in gross income. And while speaking of the mileage of the system, it is proper to state that the figures of earnings given do not include the operations of the Duluth, South Shore and Atlantic or the Minneapolis, St. Paul and Sault St. Marie, both controlled by the Canadian Pacific, but operated separately; nor are the receipts and expenses of the Southeastern, the Qu'Appelle, Long Shore and Saskatchewan and the Calgary and Edmonton roads included. The total mileage on which the earnings are actually based was at the end of 1892, 6,015 miles; the roads enumerated would add 2,351 miles to the total.

Quite a noteworthy feature in the operations of the Canadian Pacific are the low average rates received, and that of course gives additional significance to the heavy increase in earnings. The average per ton per mile on the freight tonnage of the system in 1892 was only 84-hundredths of a cent. On the Union Pacific system the average for the same twelve months was 1-245 cents. No doubt many will think that the low average on the Canadian Pacific is to be ascribed to the quantity of transcontinental and transoceanic freight moved—to the through freight from the Pacific Coast and Japan. As a matter of fact, much even of the system's strictly local business (by which we mean business originating on the Company's lines) has to be hauled long distances to market, and hence must be carried at low rates. In a word, the average is less than on our own Pacific roads, chiefly for the reason that the Canadian Pacific has a much smaller proportionate amount of short distance freight. The average on passengers, too, is very low; and here, also, the absence of any considerable short distance travel is an important factor in the result. The average per passenger per mile in 1892 was only 1.69 cents, in 1891 it was 1.70 cents, and in 1890 1.74 cents. The Union Pacific system realised an average per passenger per mile in 1892 of 2.398 cents.

As is known, the Canadian Pacific has for many years paid a portion of the dividends on its capital stock out of a guarantee fund lodged with the Dominion Government. In fact, so long as the dividends were only 3 per cent they were paid entirely out of that fund, such fund

having been expressly provided to ensure the payment of that amount of dividends, so as to bridge the period in the earlier years of the company's existence, when, except for a guaranty of that kind, the payment of dividends might be uncertain. Earnings having proved very satisfactory, the 3 per cent dividend out of the guarantee fund has for several years been supplemented by an additional dividend of 2 per cent out of income, so that the stock has for some time been on a 5 per cent basis. With the payment, however, of the dividend in August next the dividend fund will be exhausted. The question, therefore, comes up, can the dividends be continued at the present rate? And if they can will they be so continued?

The management have already answered this query, and in a very emphatic way. But before referring to the action taken, it will be interesting to see what the dividend capacity of the property is, measured by the late year's income. Net earnings, as has already been shown, were \$8,420,347. Adding interest earned on deposits and loans, total net income was \$9,623,950. Fixed charges for the year were \$5,102,018, which deducted left a surplus on the operations of the twelve months of \$3,521,932. The supplementary dividends of two per cent called for \$1,300,000, and hence there was left a surplus balance of \$2,221,932, equal to 3.42 per cent on the \$65,000,000 of stock. In other words, while only two per cent was paid out of income (the other three per cent coming out of the Guaranty Fund), earnings were actually equal to 5.42 per cent on the stock. Hence, even without any guarantee fund, the full five per cent dividends could have been paid from earnings. The result was reached on a ratio of operating expenses to earnings of 60.67 per cent. The management have hopes that this ratio can in the near future be reduced. Speaking of certain improvements which are contemplated, they say—"The completion of these works will, it is believed, place your railway well in advance of any of the other transcontinental lines in point of economical working and general efficiency, and will go far towards reducing the cost of working to the point which your directors fully believe will soon be reached, viz., 55 per cent of the gross earnings." If this expectation should be realized, the balance of earnings above the 5 per cent dividends on the basis of last year's operations would of course be further increased.

But to remove all doubt regarding the dividends, the Company has taken a step which is as remarkable as it is rare. It is nothing less than the placing of \$1,000,000 in cash on deposit with the Company's bankers, "to meet any possible deficiency at any time in maintaining dividends at 5 per cent." The keeping of a large cash reserve of this character might not perhaps be deemed remarkable in the case of some other classes of corporations, but in the case of railroad corporations it has few if any parallels, and must be considered as marking a new departure in railroad management. In effect it is an extension of the Guaranty Fund for another term of years. The \$1,000,000 cash would suffice to pay 3 per cent dividends (the amount now paid yearly out of the fund deposit-