CANADIAN PACIFIC RAILWAY.

Although this Company has Increased Its Capital Frequently and in Large Amounts, Full Dividends are Assured—Little Prospect of Reduced Earnings.

In reviewing the financial and physical conditions of the Canadian Pacific Railway Company, one is overwhelmed by the stupendous task of concentrating within the limited space of two or three columns of this journal the essential data for a complete and comprehensive article that will be useful to the generality of investors in America and Great Britain. With a capitalization of one hundred and fifty millions of dollars, equities of, perhaps, a corresponding amount, and a gross annual income that will soon aggregate one hundred million dollars, it can be readily appreciated that the system is one of the greatest and most involved, even in this era of giant industrial corporations.

It is with considerable gratification, though not surprise, that Canadians hear of the splendid loyalty of thousands of British and Continental investors towards the stock of this greatest of all Canadian corporations; especially when, for the last two or three years, professional interests have been organized to upset the marketable value of the security; and it is, no doubt, due to the steadfast faith of these same investors abroad that the stock was not driven to a much lower level during the aggressive "bear" campaign of 1907.

Big Surplus, After Meeting all Obligations.

That their faith was not only worthy of themselves and of the best traditions of the Canadian Pacific Railway Company cannot be better exemplified than by the enormous surplus, after all interest and dividend obligations had been met, from the operations of the year ended June 30, 1907. For that period the road earned $18,376,033 for dividends on the preferred and common stocks. After the full payment on the preferred stock there was left a sum of $16,639,806 to meet the dividend on the common. A six per cent. dividend on the outstanding $121,680,000 of common stock amounted to $7,300,800, thus leaving a net surplus of $9,339,005, or an excess of about seven and one-half per cent. over and above the dividend requirements on the common stock. At the same time a one per cent. dividend was paid from the proceeds of land sales.

The above-mentioned surplus was gained in a year that included one of the worst winter periods in the history of the Company, not alone due to the rigors of the climate, but through a combination of circumstances that could not be foreseen. There was car congestion of the most aggravated type, following an unprecedented cereal yield in practically every Province in the Dominion; and, to make matters worse, a coal famine in the prairies, which necessitated prompt action by the Company in supplying not only motive power and cars to relieve the situation, but also large supplies of the Company's own coal from its different coal stocks in the West. Thus there was deviated from the ordinary channels of operations a very considerable proportion of the Company's rolling stock, and, as it was almost impossible to successfully operate under the multiplicity of disadvantages, there ensued a most embarrassing congestion throughout the whole system, and particularly at terminal points. This was not lightened in any way by the manufacturing and wholesale houses, all of whom shouted loudly, and frequently in vain, for the much-desired freight cars.

Difficulties in Operating and Effect on Expenses.

January and February are usually the most severe months in the matter of operating costs, and it may throw some light upon the difficulties of the season to point out the ratio of costs to receipts during those two months of that winter. January operating expenses in 1907 took no less than 87 per cent. of the gross earnings, which was exceedingly high by contrast with 71.34 per cent. in January of the previous year. An increase of 15½ per cent. in the ratio made a material reduction, it will be granted, in the net income of that month, approximately some $500,000. In the month of February, 85.42 per cent. was required to operate the system, as against only 71.75 per cent. in February of the previous year. And notwithstanding this and the many difficulties attending operations in the late autumn, when the car congestion was, perhaps, at its worst, the Company was in a position to earn over twice the six per cent. dividend obligation on its common stock in the year closing June 30, 1907.

The story of surplus earnings does not, however, stop here, as there are to be taken into account a few equities, which must continue for some time to be of vital importance to stockholders and their yearly income return. They include deferred payments and receipts on land sales, and also the "undivided" earnings of the Minneapolis, St. Paul and Sault Ste. Marie Railway, of which the Canadian Pacific controls a majority of preferred and common stocks. The land sales alone in 1907 realized $5,887,377 by the sale of 994,840 acres, at an average price of $5.92 per acre. According to the annual report, there was included in the sales a large area for which contracts had been previously made at $4 to $5 per acre. The average price realized from lands actually sold within the year was slightly over $8 per acre.

Value of the Land Holdings.

Investors cannot give too much favorable consideration to the value of land areas controlled by the Canadian Pacific Railway Company, because the values of the same represent a permanent equity, either in the direct sale of the land or by indirect returns from the ultimate yield they will give to the farmer, the forester, the miner, or by revenue from town lots and many other sources. It may be computed that the value of the lands unsold is in excess of one hundred million dollars—say, one hundred and twenty million dollars—and, as about sixty-five million dollars has so far been received by the sale of lands, there is thus a total very much in excess of the one hundred and forty-six million dollars that will this year be outstanding.

That is to say, for every $100 share of Canadian Pacific stock there is more than that equivalent per share in land equities alone to the holder of the stock, and that is making but slight allowance for the increase in values that must ensue. To carry the question of land assets further, it would be impossible to estimate the tremendous permanent value to the railway company of the lands that have been sold, or those areas that will be turned over to the farmer in the near future. This will constitute a field for annual revenue for the Company's active railway operations that will add materially to the gross and net receipts of the roads.

In considering the land equities mentioned in the foregoing paragraph, it should be stated that over sixty millions of the gross receipts have been received already on the sale of land, and, while that may not appear at first sight to be properly entitled to a place in the present or future estimate of equities, it must be appreciated that only a very small fraction of that amount has been paid out to stockholders, and must, therefore, be either in reserve or have gone back into the property, thus forming an undoubted equity for the benefit of the stockholders.

Gross Traffic Receipts Increase.

There has been phenomenal development in the gross traffic receipts of the Canadian Pacific Railway Company during the last half decade. For the complete fiscal year ending June 30, 1903, there were gross traffic receipts of $43,957,373, contrasted with about $40,883,000 for the six months of the current fiscal year—the half-year ending December 31, 1907. It is not improbable that the business of the road will continue to increase at, at least, a similar ratio, the recurring arguments of vigorous competition to the contrary notwithstanding The large influx of immigrants and the daily development of fresh resources of one description or another that are in process throughout the length and breadth of the system will guarantee to the parent railway a steady increase of traffic just as long as the Dominion maintains its present ratio of agricultural and manufacturing advances.

That these increases in gross business can be maintained may be demonstrated by the earnings of the last six months by contrast with those of the corresponding period of 1906. In the earlier period there was a total Western wheat yield of approximately one hundred million bushels, to say nothing of a particularly fine yield of all the coarser grains and roots, all of which were substantially in excess of any former year; yet the returns of that especially prosperous period are shown to be already much below those of the similar period of the present fiscal year, notwithstanding a late crop movement and a serious financial stringency that closed down many of the leading Western mining and smelting plants, which factors are considerable revenue earners for the railway system. The Western wheat yield did not total seventy million bushels last year, 1907, and, owing to the adverse climatic conditions, the coarser grains suffered correspondingly.

Independence of Grain Production.

This would indicate that the general business of the districts served by the Canadian Pacific Railway Company have grown in gross traffic importance, and have maintained an activity of production that has, in a sense, shown a remarkable independence of the grain cultivation in Central and Western Canada.

The figures upon which the foregoing is based will substantiate the statement. There was a gross return of $37,464,474 for the six months ending December 31, 1906, as contrasted with gross of $40,883,017, the latter figures being subject to a slight addition when the final returns are out, for the half-year ending December 31st last.