

37 Years of the C. P. R.

The Position of the Company Reviewed by Lord Shaughnessy at Annual Meeting.

The annual meeting of the C. P. R. was held yesterday at noon in the board room of the general offices, Lord Shaughnessy in the chair. Amongst those present were: Sir Edmund Osler, Sir Thomas Tait, E. W. Beatty, chief counsel; C. R. Hosmer; Sir Herbert Holt, Sir Vincent Meredith, W. D. Matthews, Sir George Bury, Sir Augustus Nanton, Senator Belque, I. G. Ogden, vice-president; W. R. Miller, Colin Campbell, F. L. Wanklyn, Lieut.-Colonel Hooper, W. S. Taylor, J. W. McIntyre, J. Barry, H. E. Suckling, F. S. Shearing, E. Emery, J. S. Spackman, G. M. Bosworth, H. Joseph, A. A. Allan, Sir Charles Harris, S. Strathy, E. Alexander, H. C. Oswald, etc.

The annual report having been adopted, the President proceeded to give a resume of the inception, progress and present position of the company, in view especially, as His Lordship said, of the interest which the railway problem had created over the whole country. He said:

Compared with the returns for the calendar year 1916 the thirty-seventh annual report of the directors now before you for consideration and approval shows an increase in gross revenue from transportation of \$12,660,000, but this amount was more than absorbed by the working expenses, which increased \$16,590,000, so that the net income from transportation in 1917 was less by \$3,930,000 than it was in the previous calendar year.

Notwithstanding the larger volume of traffic in 1917, it will be gathered from the statistics incorporated in the report that there was a substantial decrease in traffic train mileage and loaded car mileage, indicating still further improvement in operating efficiency. In normal times this should be reflected in the working expenses, but its effect was minimized by the higher scale of wages and the enhanced cost of fuel and other materials required for the maintenance and operation of the railway that prevailed during the year and that added \$15,250,000 to the operating expenses.

These conditions were not exceptional in the case of your company, but applied in a proportionate degree to all the other Canadian carriers.

In view of the abnormal and constantly increasing cost of railway operation, the Board of Railway Commissioners, after due deliberation, authorized an increase of ten to fifteen per cent. in specified zones in the tariff of charges for the carriage of passengers and freight. This concession to the railway companies to assist them in meeting, in part, the increased cost of the transportation services that they are providing is very moderate indeed when compared with the increased prices due to similar causes which the public has to pay for all other commodities. It was clear that without higher rates many of the railway companies would be compelled to face large deficits, and in so far as it applied to these lines, some of them being wards of the Government, the order of the board appeared to arouse little objection or criticism. But certain trade bodies and others appealed to the Dominion Government for the disallowance of the order of the Board of Railway Commissioners on the ground that the additional revenue resulting from the higher rates would, in the case of the Canadian Pacific Railway Company, have the effect of supplementing that company's substantial surplus income after the payment of fixed charges and dividends.

THE C. P. R. TAXED.

To enable the weaker companies to reap the benefit of the higher rates, and at the same time to meet the objections that had been urged to the participation of the Canadian Pacific in like benefits, the Government decided to permit the advance in rates for the carriage of traffic authorized by the Board of Railway Commissioners to become effective March 15th, 1918, but concurrent with this decision there was an order of the Governor-General-in-Council under the War Measures Act, substantially as follows:

"1. The Canadian Pacific Railway Company, hereinafter called 'the Company,' shall pay to the Government of Canada the following special taxes:

"1st.—One-half of its net earnings from railway operation in excess of seven per cent. on its common

stock (after paying fixed charges, appropriation for Pension Fund, and dividends on preferred stock.)

"2nd.—Income tax on the company's special income (inclusive of all the company's income, except earnings from railway operations), under the provisions of The Income War Tax Act, 1917, or any amendment thereof hereafter enacted."

Provided that the total amount to be paid each year by the company shall not be less than—

"(1) The company's net earnings in such year from railway operations, and from special income as defined above, in excess of 10 per cent. on its common stock (after paying fixed charges, appropriation for Pension Fund and dividends on preferred stock), up to \$7,000,000 or

"(2) The amount by which its net earnings from railway operations exceed the net earnings from railway operations for the fiscal year ended December 31st, 1917, due to the increase in freight and passenger rates granted by the order of the Board of Railway Commissioners, dated 26th December, 1917.

(3) Payment in full of special taxes under this order shall in respect of earnings from and after January 1st, 1918, relieve the company of liability under the Business Profits War Tax Act, 1916, and any other Dominion act of like nature hereafter enacted, and (save as hereinbefore provided) under the Income War Tax Act, 1917.

"(4) This order shall be deemed to have come into force and effect on the first day of January, 1918, and to continue in force and effect during the present war, and until further ordered."

Briefly stated, this Order-in-Council not only deprives your company of any improved revenue that might result from the higher tariff, but imposes upon it a measure of taxation discriminatory in character, and, therefore, your company might with propriety question its fairness or justification. A state of war, with its enormous demands upon the National Treasury, and other financial burdens brought upon the country by an unfortunate railway policy, coupled with the thriving condition of your company's affairs, were in all probability taken as furnishing reasonable warrant for the Government's action.

Since the outbreak of war your Company has deemed it a duty to render to Canada and the Allies all the practical and financial assistance in its power, and while it is not possible with constantly changing conditions to form at this time even an approximate estimate of the tax, the amount, whatever it may be, will be paid without protest or embarrassment to your finances. It must not be assumed that in the adoption of this measure the Government was actuated by any spirit of hostility to the Company. On the contrary, it may be stated without reservation, that at no other time has your Company enjoyed the confidence and support of Parliament, the Government and the people to a greater extent than at present. Nor should the Government's action be assumed to forecast a policy in the future that might jeopardize investments in Canadian Government, Municipal, or Corporation Securities.

A SUMMARY OF THE STORY OF THE C. P. R.

Summarized it would appear:

1. That the Canadian Pacific Railway, as originally designed, forms but a small part of the present great system with its comprehensive operating traffic and business organization, through which in normal times thousands of people are brought every year to and through Canada from all portions of the civilized world, thus helping to people the Country and to bring her vast resources under general notice.

2. That the cost of the transportation system as described in this Memorandum was \$318,000,000, against which there is outstanding capital of all classes amounting to \$623,000,000.

3. That every share of \$100 Ordinary Stock in the hands of the public represents the payment into the Company's Treasury of \$112 in cash, and \$31 from surplus income, or a total of \$143.

4. That it has been the Company's policy to avoid mortgage debt and mandatory interest charges with their attendant dangers.

5. That lands and resources capable of development, belonging to the original Company or that came into its possession through the acquisition of other railways, have been husbanded, developed and utilized so successfully and advantageously that, distinct from their railway transportation system, the Shareholders have extraneous assets valued on a moderate basis at \$253,000,000.

6. That the highest dividend paid to Shareholders from transportation revenue, namely, 7 per cent. per annum, is only equivalent to 2 per cent. per annum on the cost of the railway system, and if the dividend of 3 per cent. from Special Income be added, making a total of 10 per cent. per annum, the distribution is less than 2½ per cent. on a conservative valuation of the Company's total assets.

7. That the average rates per passenger mile and per ton mile for the carriage of passengers and freight, respectively, received by the Canadian Pacific were lower than those received for the same services by any combination of railway lines in the United States constituting a through route between the Atlantic and the Pacific Ocean.

8. That the wages paid by the Canadian Pacific in every branch of its service are at least as high as, and the cost of its rails, fuel and general supplies is higher than United States railway companies are required to pay, and in all of these items the increase in both Canada and the United States has been abnormal since the outbreak of the War.

9. That the Company's successful effort to keep its capitalization substantially below the real value of its property and assets deserves the commendation of the Canadian people and should not, in any case, be made a pretext for penalizing the Company when rates for the carriage of traffic, or other matters relating to general railway policy, are before Parliament or Government for consideration and decision.

The Shareholders and Directors of the Company have always been impressed with the idea that the interests of the Company are intimately connected with those of the Dominion, and no effort or expense has been spared to help in promoting the development of the whole country.

At a meeting of the Board held immediately after the Shareholders' meeting, The Right Hon. Lord Shaughnessy, K.C.V.O., was re-elected President of the Company. Sir George Bury and Mr. E. W. Beatty, K.C., Vice-Presidents, and the following were appointed the Executive Committee: Mr. Richard B. Angus, Mr. E. W. Beatty, K.C.; Sir George Bury, Sir Herbert S. Holt, Sir Edmund B. Osler, The Right Hon. Lord Shaughnessy, K.C.V.O.



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