

FINANCE and ECONOMICS

CANADIAN PACIFIC RAILWAY'S GROSS

**Earnings Have Increased Fifteen Millions in Three Years, But Net in Same Period Exhibit Decline—
Analysis of Annual Report.**

The annual report of the Canadian Pacific Railroad treats of millions and of a corporation empire. The balance sheet shows a total of \$459,000,000, an amount which would almost twice pay off the total net debt of Canada. In addition to the assets included in the company's condensed balance sheet, it owns 13,941,098 acres of land in Manitoba, Saskatchewan, Alberta and British Columbia. That is equal to an area of 21,783 square miles, about the size of Belgium and Holland combined, which support a population of fourteen millions. The average investor holding Canadian Pacific stocks, finds futile the proverbial cursory examination of the printed annual report. Some of its more important features are analysed below.

Three Years Ago and Now.

To obtain a fair and interesting comparison regarding C.P.R. results for 1909, the Monetary Times takes also the figures for the year ended June 30th, 1906.

	1906	1909	Inc. or dec. %
Gross earnings	\$61,669,758	\$76,313,320	+ 23.7
Working expenses	38,696,445	53,357,748	+ 37.8
Net earnings	22,973,312	22,955,572	— 0.07
*Net earnings of steamships	652,577	399,909	— 38.7
Interest and divi- dends on securities held	1,316,870	1,906,578	+ 44.7
	24,942,760	25,262,060	+ 1.2
Fixed charges deduct- ed	8,350,544	9,427,032	+ 12.8
Surplus	16,592,215	15,835,028	— 4.5

*These figures are in excess of amount included in monthly reports.

Decrease in Net Earnings.

These figures show a small decline in surplus in the period under review and also exhibit declining earning power. In the year just ended, the gross earnings made a new record, showing an increase over the previous year of \$4,000,000 and over 1906 of nearly \$15,000,000. Despite this progress, the net earnings are only one million more than last year's figures and show a small decrease over those of 1906. The point is best illustrated in the following table:

	1906.	1909.	Inc. or Dec.	per cent.
Miles operated	8,777	9,878	+	12.5
Gross earnings	\$61,669,758	\$76,313,320	+	23.7
Operating expenses				
Maintenance	\$16,474,814	\$21,154,936	+	28.3
C. T. and other exp.	22,221,629	32,202,812	+	44.9
Total oper. exp.	\$38,696,443	\$53,357,748	+	37.8
Net earnings	22,973,312	22,955,572	—	0.07
Operating ratio	62.7 p.c.	69.9 p.c.	+	7.2 p.c.

Eighty Millions New Capital.

On the C.P.R.'s \$150,000,000 common stock the company earned, according to the 1909 report, 8.5 per cent. In 1906, it earned 14.1 per cent; this declined in 1907 to 13.7 per cent. and in the following year to 10.5 per cent. Only \$5,000,000 apparently of the increased expenses were applied to maintenance, while \$10,000,000 went solely to help the traffic moving. The company's profits have been reduced also by fixed charges, which are over one million dollars greater than three years ago, an increase of 13 per cent. Dividend requirements have increased, as also the total income necessary to meet bond interest.

The rapid capital expansion of the company in the past few years is responsible. Since 1906 the capital increase has been almost \$80,000,000, as will be seen from the following figures:

	1906.	1909.	Inc. or Dec.	per cent.
Common stock	\$105,995,190	\$150,000,000	+	41.5
Preferred stock	42,719,999	52,696,666	+	23.3
Debtenture stock	101,519,411	128,930,132	+	27.0
Funded debt	41,738,086	39,621,966	—	5.07
Total	\$291,272,686	\$371,248,764	+	27.1

*Includes \$4,595,190 paid as subscriptions to \$20,000,000 new stock.

Despite the heavier capital obligations, the road's capitalization per mile has increased only from \$33,200 in 1906, to \$37,500 in 1909, both low figures.

Stock Sold Last Year.

Much stock was sold during the last financial year. Four per cent. consolidated debenture stock to the amount of £2,727,340 was created and sold, and, of the proceeds, the sum of £129,848 was used to increase the fleet of steamships on the Pacific Coast; £1,861,835 was applied to the construction of branch lines, and the balance, £735,657, was devoted to the acquisition of the bonds of other railway companies whose lines constitute a portion of the system, the interest on which had been guaranteed by the Company.

Four per cent. preference stock to the amount of £800,000 was created and sold, one-half of the proceeds being used for the purchase of a controlling interest in the shares of the Alberta Railway & Irrigation Company, authorized at the last annual meeting, and the balance to meet capital expenditures.

In January last the directors sold in the market the small residue of the last issue of common stock, amounting to \$3,984,000. The sale yielded a premium of \$2,394,779, which will be used for additions and improvements to the property.

Mileage Added to Road.

Much of the increased capital has been expended upon construction of new lines. In the last three years the Company's system in Canada has been extended 1101 miles, viz: from 8,777 to 9,878 miles, and work is progressing on 403 additional miles, most of which will be completed this autumn. A considerable portion of this mileage was constructed through new and sparsely settled districts where railway communication was required to encourage settlement, and, while satisfactory progress is being made, a little time must necessarily elapse before the territory served by the lines will be so developed as to yield the average amount of traffic, but meantime, of course, the additional mileage has increased the fixed charges.

The gross earnings of the company, which amounted last year to \$76,313,320 were made up as follows, a comparison with 1906 being given:

	1906.	1909.	Inc. %
From passengers ..	\$16,041,615	\$20,153,000	+ 25.6
From freight	39,512,973	48,182,520	+ 21.9
From mails	707,007	778,822	+ 10.1
From sleeping cars, express, elevators, tel- egraph, etc.	5,408,161	7,198,977	+ 33.1
Total	\$61,669,758	\$76,313,320	+ 23.7

Division of Working Expenses.

The disposition of working expenses for the two years is shown in the following comparative table:

	1906.	1909.
Transportation expenses	\$18,785,695	\$25,568,989
Maintenance of way and structures	9,105,240	10,074,049
Maintenance of equipment	7,369,565	11,080,886
Traffic expenses		2,123,860
Parlor and sleeping car expenses	231,688	461,433
Expenses of lake and river steamers	511,390	758,988
General expenses	1,964,093	2,356,402
Commercial telegraph	728,762	933,137

Evidently a new account, Traffic Expenses, has been opened.

Land Sales in 1909.

The total area of the C.P.R.'s agricultural lands sold during the year was 376,046 acres, at an average price of \$13.52 per acre, but this included 69,963 acres of irrigated land that brought an average of \$24.71 per acre. If this area be deducted from the total sales, the average price realized from the balance of the lands was \$10.96 per acre.

The irrigation canals and ditches in what is known as the western block, containing approximately 995,000 acres, of which 353,000 acres are irrigable, are now practically fin-