

WINNIPEG
ELECTRIC
COMPANY

FIFTY-FIRST
ANNUAL REPORT
NINETEEN FORTY-THREE

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BOARD OF DIRECTORS

- EDWARD ANDERSON, K.C., LL.D., Barrister,
Winnipeg, Manitoba, Canada.
- W. H. CARTER, President, Winnipeg Electric Company,
Winnipeg, Manitoba, Canada.
- WILLIAM FERGUSON, Investment Banker,
New York City, U.S.A.
- GEORGE de B. GREENE, Investment Banker,
New York City, U.S.A.
- D. H. McDOUGALL, Chairman, English Electric Company of Canada,
Toronto, Ontario, Canada.
- J. A. McPHAIL, K.C., President, Great Lakes Power Company,
Sault Ste. Marie, Ontario, Canada.
- A. J. NESBITT, President, Nesbitt, Thomson & Co., Investment Dealers,
Montreal, Quebec, Canada.
- ISAAC PITBLADO, K.C., LL.D., Barrister,
Winnipeg, Manitoba, Canada.
- C. S. RILEY, President, The Northern Trusts Company,
Winnipeg, Manitoba, Canada.
- H. E. SELLERS, President, Federal Grain Ltd.,
Winnipeg, Manitoba, Canada.
- P. A. THOMSON, Vice-President, Nesbitt, Thomson & Co., Investment
Dealers,
Montreal, Quebec, Canada.
- WILLIAM WHITE, Manager, Huron & Erie Mortgage Corpn. and Canada
Trust Co.,
Winnipeg, Manitoba, Canada.

OFFICERS

- W. H. CARTER, *President and General Manager,*
C. S. RILEY, *Vice-President,*
W. E. BLODGETT, *Treasurer,*
GEO. T. McINTOSH, *Secretary.*

ANNUAL REPORT

OF

WINNIPEG ELECTRIC COMPANY
FOR THE FISCAL YEAR ENDED
THIRTY-FIRST OF DECEMBER
NINETEEN FORTY-THREE

*Submitted at the Fifty-first Annual Meeting
Held on the twenty-fourth day of April
Nineteen Forty-four*

Report of the President and Directors Winnipeg Electric Company

For the Year Ended December 31st, 1943

To the Shareholders:

The Directors of your Company are pleased to present to you a Report on the financial condition and operations of the Company for 1943. It was a year of exceptional activity and one in which all departments had a larger volume of business than formerly. That we could provide satisfactory service on restricted supplies and manpower shows co-operation with the regulatory authorities, fine understanding on the part of the public and loyalty of employees.

Greater industrial activity in the Winnipeg district resulted in increased gross earnings for all three Utilities over those shown a year ago. The total gross earnings from operation for 1943 amounted to \$10,518,043.32 compared with \$9,229,374.99 in 1942. While this showing is gratifying, it must be pointed out that the expenses necessary in handling this volume of business have advanced sharply. Labor costs were more than \$400,000.00 greater than a year ago and \$957,567.93 greater than in 1939. Charges for materials, supplies and other operating costs were increased by more than \$360,000.00 over 1942 and by \$654,007.23 when compared with 1939.

Miscellaneous Income in 1943 amounted to \$302,129.25 compared with \$155,837.20 in 1942.

Net Income for the year after providing for Interest of \$299,320.00 on Series "B" Bonds amounted to \$901,951.81 compared with \$450,368.54 for the year 1942.

The following statements are presented:

Balance Sheet and Auditors' Report
Income Account for 1943.

The audited accounts of the Company show the following:

Gross Earnings from Operation.....	\$10,518,043.32
From which were paid the regular Operating Expenses—	
Labor Costs charged to operation.....	\$3,249,690.91
Materials and Supplies and other operating costs including gasoline tax.....	1,787,505.37
	<u>5,037,196.28</u>
	\$ 5,480,847.04
To which should be added Miscellaneous Income from Investments and Non-Operating Properties	302,129.25
Making a Total Gross Income of.....	\$ 5,782,976.29
From which the following should be deducted:	
Interest on Funded Debt, including interest on Income Bonds for 1943.....	\$1,783,237.75
Taxes excluding Gasoline Tax charged to Operation.....	649,295.40
Depreciation.....	2,087,361.14
Provision for Dominion Income and Excess Profits Taxes.....	300,000.00
Amortization Bond Discount and Expense, etc.....	61,130.19
	<u>4,881,024.48</u>
Leaving a Net Income for the year of.....	\$ 901,951.81

In the Transportation Utility, passenger riding mounted rapidly during the last four years to an all-time high in 1943. This is the result of present day conditions and has naturally been reflected in the earnings of this Department. Additional service to handle the increased travelling together with higher wage scales for a larger staff and other costs incidental to this greater traffic increased the expenses very materially.

Through the assistance of Transit Control Authorities and the Winnipeg Traffic Advisory Commission many business firms and employees of Greater Winnipeg have been persuaded to stagger their working hours, i.e., spread the rush hour traffic over more hours of the day. This splendid co-operation under the very trying conditions existing is gratefully acknowledged.

Further improvement was shown in the gross earnings of the Electric Utility. However, about half of the improvement in the gross earnings was absorbed by increased expenses for labor and other operating costs. The increase in gross earnings is due partially to additional energy sold to industries with government contracts and to other consumers benefiting from the war activity generally. A very limited number of the industries we serve have enjoyed government contracts, which is unlike the experience in Eastern Canada, and as a result our loss of revenue during the transition to peace should be moderate.

Water conditions on the Winnipeg River, on which your Power Plants are situated, have continued to be satisfactory. The requirements of all customers for firm power have been met and the surplus has been sold for steam making, thus conserving coal.

The showing for the Gas Utility during the year under review was practically the same as in 1942. Gross earnings

were increased somewhat but this gain was offset by an increase in labor costs and other operating expenses.

The Sinking Fund payment due January 2nd, 1944, for the benefit of the 3½% First Mortgage Bonds, amounting to \$119,445.00 has been paid to the Trustee in accordance with the terms of the Deed of Trust and Mortgage under which these are secured. The first payment to the Sinking Fund due on July 2nd, 1943, for the benefit of the General Mortgage Bonds and Debenture Stock, amounting to \$75,823.14 has also been paid over to the Trustee as required by the terms of the Deed of Trust and Mortgage securing them.

There was no new financing required during the year 1943.

TAX PAYMENTS FOR THE YEAR 1943

The Company paid in taxes in the year 1943:

To the City of Winnipeg in respect of its Railway Utility for 5% Gross Earnings charge, Car and Bus Licenses and fixed assessments.....	\$293,810.79
To the City of Winnipeg for Property and other Taxes.....	160,529.17
	<hr/>
	\$454,339.96
To the Province of Manitoba and Municipalities for Property and other Taxes, including gasoline tax.....	277,909.20
	<hr/>
	\$732,249.16
Taxes paid by Suburban Rapid Transit Company and Winnipeg, Selkirk & Lake Winnipeg Railway Company, amounted to.....	21,697.19
	<hr/>
Making the total amount paid for Taxes*.....	\$753,946.35
	<hr/> <hr/>

*Excluding Dominion Income Taxes.

CONTINGENT CERTIFICATES

Under the "Plan of Consolidation and Readjustment" which became effective January 2nd, 1935, Contingent Certificates to the amount of \$1,921,234.00 were issued to bondholders to compensate in part for the lower rate of interest on the new bonds. Over a period of years \$581,722.76 of these were purchased by the Company in the open market, leaving a balance of \$1,339,511.24 outstanding. On August 3rd, 1943, payment of half the face value of the then outstanding Certificates was made. The January, 1944 meeting of your Board of Directors authorized its bankers, The Bank of Montreal, to pay on March 1st, 1944, the remaining balance of the outstanding Certificates. Any of our shareholders having these Certificates should present them to The Bank of Montreal for payment.

WAGE AGREEMENTS AND PAYROLL

Effective May 1st, 1943, an increase in wages of three cents per hour was granted hourly rated employees by the Regional War Labour Board.

The total payroll of the Company for 1943 amounted to \$3,365,015.53. While labor costs charged to operation were up \$416,282.26 from the previous year, the total payroll of the Company showed a somewhat smaller increase, namely \$388,444.85. This was due to a smaller construction payroll than in 1942. This increased operating payroll is due to higher

wages paid, to the increase in the cost of living bonus and to a larger operating staff.

POST-WAR PLANS

Winnipeg has not had a war boom, but it has had a substantial and solid growth in its industrial output. The Company looks for a continuation of this growth. For a considerable time the Company has had its own post-war planning committee at work. The committee is made up of Utility and Department heads and is working with two main objects in view, namely: 1. To increase the demand for the Company's electric, gas and transportation services; 2. To co-operate with the Company's present and prospective customers and help them to plan now for their own post-war activities. The Company appreciates that in order to meet changing conditions that will develop after the war, improvements which have been postponed will have to be made in the three services now being supplied to its customers—the gradual extension of electric and gas distribution facilities as occasion requires, and the modernization of the transportation system in such a way as to provide attractive and efficient service to the riding public in order to effectively compete with other forms of transportation which will gradually become available.

BOARD OF DIRECTORS

At the last annual meeting of shareholders the six members of the Board of Directors representing the bondholders completed the term for which they were appointed under the Plan of Consolidation and Readjustment. Of these Mr. George Kidd, of Vancouver, expressed the desire to retire from the Board and the remaining five members, along with the six members representing the shareholders were elected to serve for the ensuing year. Mr. H. E. Sellers, President and Managing Director of the Federal Grain Company, Winnipeg, was elected to fill the vacancy caused by the retirement of Mr. Kidd.

EMPLOYEES

Harmonious relations between management and employees have continued throughout the year. The performance of our employees in maintaining a high standard of service to the public under difficult conditions has been outstanding.

By the end of 1943, 333 of the Company's employees had joined His Majesty's Forces for active service. Five of these have been killed in action, three have been reported missing, three have died in the service and six are prisoners of war.

Victory Bond Campaigns and Red Cross and Community Chest Drives have all met with generous support by Company employees.

Your Directors are proud of the service being rendered by the Company's executive and employees, both at home and in the armed services, and wish to record the satisfaction they feel in what has been accomplished during 1943.

W. H. CARTER,
President.

WINNIPEG ELECTRIC COMPANY

CONSOLIDATED BALANCE SHEET

ASSETS

PHYSICAL PROPERTIES:

(Comprising the properties of Winnipeg Electric Company, Winnipeg, Selkirk and Lake Winnipeg Railway Company, and Suburban Rapid Transit Company, value based on the appraisal of J. G. White Engineering Corporation as of 31st December, 1916, and additions since at cost; the properties formerly owned by Manitoba Power Company Limited, based on appraisal of R. S. Lea as of 31st December, 1927, and additions since at cost, and the properties formerly owned by Northwestern Power Company Limited, at cost).....\$75,258,464.67

SINKING FUNDS:

Uninvested in hands of Trustees..... 120,097.78

INVESTMENTS:

Representing largely funds from Depreciation Reserve not currently expended for property replacements and extensions, invested in Company's own General Mortgage Bonds and Debenture Stock and Dominion of Canada Bonds, at cost (Market Value \$7,686,525.23)..... 7,144,823.27

CASH IN BANKS AND ON HAND.....\$156,080.68

CONSUMERS' AND OTHER ACCOUNTS RECEIVABLE, less Reserve for Doubtful Accounts..... 717,936.44

WORKING FUNDS AND DEPOSIT WITH WORKMEN'S COMPENSATION BOARD, etc..... 57,212.85

MATERIALS AND SUPPLIES AND MERCHANDISE FOR SALE..... 762,829.31

INSURANCE PREMIUMS AND OTHER EXPENSES paid in advance..... 53,497.44

FUNDS ON DEPOSIT to meet Specific Liabilities:
(per contra)..... 1,032,845.64

DEFERRED CHARGES:

Discount and Expenses on Funded Debt Unamortized.....\$249,369.71

Miscellaneous Deferred Charges..... 45,674.52

295,044.23

EXPENDITURE ON LEASED PREMISES (Reserved per contra)..... 75,009.32

\$85,673,841.63

AUDITORS' REPORT

To the Shareholders, Winnipeg Electric Company, Winnipeg.

We have audited the books and accounts of Winnipeg Electric Company and its subsidiaries, Winnipeg, Selkirk & Lake Winnipeg Railway Company and Suburban Rapid Transit Company, for the year ended 31st December, 1943, and report that we have received all the information and explanations we have required.

Depreciation for the year has been provided for at the rates recognized by the Municipal and Public Utility Board of the Province of Manitoba, applied to the Company's book values. Subject to the question of the sufficiency of the depreciation reserve as a whole, the above Balance Sheet is, in our opinion, properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Company, according to the best of our information and the explanations given us, and as shown by the books.

Winnipeg, 23rd March, 1944.

GEORGE A. TOUCHE & CO.,
Chartered Accountants, A auditors.

AND SUBSIDIARY COMPANIES

AS AT 31st DECEMBER, 1943

CAPITAL AND LIABILITIES

CAPITAL STOCK:

Preferred 50,000 Shares of \$100.00 each, 5% non-cumulative.....	\$ 5,000,000.00
Common Shares of no par value, 564,989 shares.....	\$13,754,521.07
Less Adjustments in Property Accounts..	1,701,593.27
	<u>12,052,927.80</u>

\$17,052,927.80

FUNDED DEBT:

3½% First Mortgage Bonds (First Series), due 2nd January, 1960.....	\$ 3,179,000.00
Remainder of Funded Debt in process of replacement by new issues in accordance with the General Plan of Consolidation and Readjustment, as follows:	
General Mortgage Bonds and/or Debenture Stock due 2nd January, 1965:	
Series "A" 5%.....	27,381,958.00
Series "B" Income Basis of 5% to 2nd January, 1947, and 5% fixed thereafter.....	5,986,400.00
	<u>36,547,358.00</u>

(In addition to the above, Series "A" Bonds to the amount of \$1,829,300.00 originally issued as collateral securing a Special Bank Loan, since retired, are held by the Company.)

CURRENT ACCOUNTS PAYABLE, including Wages and Salaries....	\$ 904,894.37
CONSUMERS' SECURITY DEPOSITS AND ACCRUED INTEREST.....	122,206.02
TAXES ACCRUED (estimated).....	190,620.99
OTHER LIABILITIES.....	154,595.46

1,372,316.84

LIABILITIES for which funds are specially earmarked:

Bond Interest, payable 2nd January, 1944.....	\$ 740,181.45
Matured Interest Coupons.....	68,699.62
Scrip Certificates (Northwestern Power Company Limited).....	1,883.00
Employees War Savings Certificates Payments.....	2,049.25
Contingent Certificates (Balance of Initial Payment).....	220,032.32

1,032,845.64

DEFERRED LIABILITIES (Payable in Instalments):

Lake of the Woods and Lac Seul Storage Charges, etc....	564,803.58
DEFERRED CREDITS TO INCOME.....	30,543.85

MISCELLANEOUS RESERVES for Injuries and Damages, Deferred Maintenance, Leased Premises, Contingencies, etc.....

684,251.66

DEPRECIATION AND PROPERTY RESERVES:

Depreciation Reserve.....	\$19,341,127.52
Property Reserve (From appraisal, Property of Manitoba Power Company Limited).....	7,290,947.36

26,632,074.88

SURPLUS (before providing for Interest on Series "B" Bonds for 1943 and final payment on Contingent Certificates).....

1,756,719.38

CONTINGENT LIABILITIES:

Contingent Certificates, as provided for in the General Plan, amounting to \$1,921,234.00 less \$581,722.76 purchased, less 50% initial payment made in 1943, leaving a balance of \$669,755.62, payment of which has been authorized since 31st December, 1943. It is agreed with the bearers that while any certificates are outstanding the Company will not pay any dividends on its Capital Stock or make any distribution to Shareholders.

\$85,673,841.63

WINNIPEG ELECTRIC COMPANY AND
SUBSIDIARY COMPANIES

CONSOLIDATED INCOME ACCOUNT
FOR THE YEAR ENDED 31st DECEMBER, 1943

GROSS EARNINGS FROM OPERATION.....	\$10,518,043.32
OPERATING EXPENSES.....	5,037,196.28
NET OPERATING INCOME.....	\$ 5,480,847.04
INTEREST ON INVESTMENTS AND OTHER MISCELLANEOUS INCOME.....	302,129.25
GROSS INCOME.....	\$ 5,782,976.29
Interest on Funded Debt.....	\$1,483,917.75
Other Interest.....	36,825.98
Taxes.....	649,295.40
Depreciation.....	2,087,361.14
Amortization Bond Discount and Expense.....	15,585.60
Provision for Dominion Income and Excess Profits Taxes (estimated).....	300,000.00
Other Income Deductions.....	8,718.61
	4,581,704.48
NET INCOME before providing for Interest on Series "B" Bonds.....	\$ 1,201,271.81

SURPLUS ACCOUNT

BALANCE, 1st January, 1943.....	\$ 1,555,577.37
Deduct: Interest on Series "B" Bonds for the year 1942 and Initial Payment of 50% on outstanding Contingent Certificates, and other adjustments.....	1,000,129.80
	\$ 555,447.57
Add: Net Income for the year, brought down.....	1,201,271.81
	\$ 1,756,719.38

Facts About Your Company and Its Subsidiaries

(As at December 31st, 1943)

1. It renders service to a population of over 300,000.
2. It has 3 hydro-electric plants on the Winnipeg River with an ultimate capacity of 400,000 h.p.
3. It has 4 terminal stations, 9 major substations and 16 tap-off stations.
4. It has 755 miles of high tension transmission circuits.
5. The power generated by its power plants during the year totalled 1,110,501,600 kilowatt hours.
6. It carried 80,581,166 revenue passengers in 1943.
7. It operated 13,106,053 car, motor bus and trolley bus miles during the year.
8. It has 215 passenger street cars, 158 motor buses and 22 trolley buses.
9. It operates 48 miles of street car routes; 100 miles of motor bus and 6 miles of trolley bus routes.
10. It has 8 street car routes; 22 city and suburban motor bus routes; 2 trolley bus routes; and 1 interurban motor bus route.
11. It has 90.30 gross miles of track, of which 49.75 miles is paved and 40.55 open track.
12. It has a by-product coke oven plant with a total daily capacity of 2,500,000 cubic feet, and an annual domestic coke production of 45,000 tons.
13. It has a water gas standby plant capable of taking over the entire load of the coke oven plant. It has 145 miles of gas mains.
14. It employs 1,964 people.
15. It had a total payroll in 1943 of \$3,365,015.53.
16. It paid in taxes in 1943 a total of \$753,946.35 excluding Dominion Income Taxes.

