

WINNIPEG
ELECTRIC
COMPANY

FORTY-EIGHTH
ANNUAL REPORT
NINETEEN FORTY

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EDWARD ANDERSON, K.C., LL.D., <i>Chairman</i>	J. A. McPHAIL, K.C. A. J. NESBITT
W. H. CARTER	ISAAC PITBLADO, K.C., LL.D.
WM. FERGUSON	C. S. RILEY
G. DE B. GREENE	P. A. THOMSON
GEORGE KIDD	WM. WHYTE
D. H. McDOUGALL	

W. H. CARTER, *President and General Manager*

C. S. RILEY, *Vice-President*

W. E. BLODGETT, *Treasurer*

L. PALK, *Secretary*

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

*Submitted at the Forty-eighth Annual Meeting
Held on the Fifth day of May
Nineteen Forty-one*

Report of the President and Directors Winnipeg Electric Company

For the Year Ended December 31st, 1940.

To the Shareholders:

In submitting the Forty-eighth Annual Report for the year ended December 31st, 1940, your Directors present the following statements:

Balance Sheet and Auditor's Report
Income Account for 1940.

The audited accounts of the Company show the following:

Gross Earnings from Operation.....	\$7,303,236.09
From which were paid the regular Operating Expenses—	
Labor Costs charged to operation.....	\$2,338,698.48
Material and Supplies and other operating costs.....	1,263,231.29
	\$3,601,929.77
	\$3,701,306.32
To which should be added income from Non-Operating Properties.....	44,351.62
	\$3,745,657.94
Making a Total Gross Income of.....	
From which the following should be deducted:	
Interest on Funded Debt, including interest on Income Bonds for 1940.....	\$1,460,330.08
Taxes.....	537,677.96
Depreciation.....	1,565,468.42
Amortization Bond Discount and Expense, etc.	58,285.94
	\$3,621,762.40
Leaving a Net Income for the year before providing for Dominion Income Taxes	\$ 123,895.54

The 3½% First Mortgage Bonds, First Series, carry a yearly Sinking Fund of 3% of the principal amount. The first Sinking Fund payment was due on January 2nd, 1941; it amounted to \$105,000.00 and has been paid to the Trustee.

General Mortgage Bonds and Debenture Stock, Series "A," issued under the Plan of Consolidation and Readjustment, carry interest at 4% per annum for the years 1935 to 1941 inclusive, and thereafter at 5% per annum.

The first payment of the sinking Fund for the General Mortgage Bonds and Debenture Stock becomes due on July 2nd, 1943.

General Mortgage Bonds and Debenture Stock, Series "B," are on an income basis up to and including 1946; they carry

interest, if earned, up to 4% per annum for the years 1935 to 1941 inclusive, and up to 5% per annum for the years 1942 to 1946 inclusive; thereafter the interest is at the fixed rate of 5% per annum. The interest on these bonds has been regularly paid.

PROPERTY ACCOUNTS

Attention is directed to the notation in the Balance Sheet under the heading of "Physical Properties" indicating the manner in which valuations of physical properties are made up.

An extended and detailed survey and review of inventories made by officials of the Company indicated the advisability of making adjustments to the physical property valuations in respect of obsolete or worn out properties and of adjusting depreciation rates. Certain adjustments along these lines, as authorized by the Directors, have been made in the Company's accounts.

ADDITIONS AND EXTENSIONS TO AND RECONSTRUCTION OF PROPERTIES DURING YEAR 1940

During the year 1940 the Company expended in general improvement of the Company's service for the benefit of the public on extensions, replacements and reconstruction of its properties, \$650,597.99, this amount being divided as follows:

Electric Utility.....	\$356,646.66
Railway Utility.....	199,521.72
Gas Utility.....	43,508.24
Non-Operating.....	12,968.48
The Winnipeg, Selkirk & Lake Winnipeg Railway Company.....	6,854.41
The Suburban Rapid Transit Company.....	31,098.48
Total.....	<u>\$650,597.99</u>

TAX PAYMENTS FOR THE YEAR 1940

The Company paid in taxes in the year 1940:

To the City of Winnipeg in respect of its Railway Utility for 5% Gross Earnings charge, Car and Bus Licenses and fixed assessment.....	\$205,181.13
To the City of Winnipeg for Property and other Taxes..	161,836.89
	<u>\$367,018.02</u>
To Province of Manitoba and Municipalities for Property and other Taxes, including gasoline tax.....	209,739.75
	<u>\$576,757.77</u>
Taxes paid by Suburban Rapid Transit Company and Winnipeg, Selkirk & Lake Winnipeg Railway Company, amounted to.....	24,372.38
Making the total amount paid for Taxes.....	<u>\$601,130.15</u>
Excluding Dominion Income Taxes.	

FINANCIAL OPERATIONS

No new financing was done during the year 1940.

FRANCHISES

Further extension of trolley bus and gasoline bus services have been provided for during the year, with a reduction of certain street railway routes.

Negotiations have been renewed with the City of Winnipeg respecting a new transportation franchise within the city; these negotiations are now proceeding.

WAGE AGREEMENTS

Wage agreements negotiated in 1938 expired during 1940 and were renewed for one year at the same rates of pay, the Company agreeing to pay a bonus of 2% on wages paid; to admit employees covered by the agreements into the Group Insurance Plan, and to pay one-half the cost of sick benefit. Similar treatment was also extended to comparable employees not covered by the agreements. The Company's relations with its employees continue harmonious.

GENERAL CONDITIONS

The year 1940 has closed with industry in this country operating at the highest rate ever reached. Canadian visible stocks of wheat on December 31st, 1940, were 494 million bushels, as compared with 349 million bushels a year ago. Notwithstanding the large increase in wheat stocks, however, Winnipeg and the West have not yet felt the full impact of the resurgence in business. War-time price and marketing controls, the cutting off of valuable foreign markets and the large wheat carry-over are among the factors responsible for this condition. Indications are, however, that the trend is definitely upward.

Contracts placed for the building of plants and for war supplies led to direct expansion in industries connected with the war, while industries supplying consumption goods felt the indirect accelerating influence of the direct expansion.

In Western Canada, the new purchasing power created by advances made to farmers on the grain crop, together with Government expenditures for new buildings and in the assembling and maintaining of army and air forces, has contributed largely to the general activity.

In the Greater Winnipeg area the value of building permits issued, reached the level of \$7,697,422 as compared with \$3,865,612 in 1939. The City of Winnipeg accounted for \$3,329,100, as compared with \$2,584,050 in 1939, an increase of 28 per cent.

Three hundred and forty-three new houses were erected in the city during the year at an aggregate cost of \$1,241,050, while in the suburban municipalities contiguous to Winnipeg 403 new dwellings, representing a total cost of \$1,280,930 were built. This means that in the Greater Winnipeg area in which we operate, 746 new houses were built at a total cost of \$2,521,980. The difference between this figure and the figure above given of \$7,697,422 represents the value of building permits issued in the Greater Winnipeg area for buildings other than new houses. The larger permits included one apartment block in Winnipeg, \$100,000; the Sugar Beet plant, \$500,000; and Stevenson Airport projects, \$1,439,990.

Other yardsticks which may be used to measure economic conditions in a given locality, such as telephone installations, automobile use, customs and excise receipts, income tax receipts, and bank clearings, also indicate clearly the improvement in general conditions.

Although agriculture has always been considered the basic industry of the West, it has become abundantly clear that a healthy development is taking place in the secondary industries as well as in certain non-agricultural primary industries, all of which now produce an annual income not far short of the total yearly gross revenue from Western agriculture in the four-year period ended in 1939. The gross value of products manufactured in the West is now annually about 300 million dollars, and there are 500 more industrial establishments than were in existence ten years ago. Official figures for Manitoba are not yet available, but it is estimated by competent authorities that the gross value of the 1940 Manitoba industrial output exceeded 160 million dollars, while that of agriculture in the Province was 107 million dollars. Manitoba leads the West in the diversification of industry. The Province is gradually assuming its part of the load of war production. Our factories are turning out not only flour, sugar, bacon and other food stuffs, but also beds, blankets, airplane parts, boots, uniforms, caps, metals, munitions, machinery, building supplies and innumerable other articles demanded by the times.

The war will not strip this country of its abundant natural resources nor of the development already achieved, and with the restoration of peace, and a return to settled conditions, Manitoba may look forward to its full share of such prosperity as may prevail at that time. In the meantime we are on a rising tide of industrial activity.

The Industrial Development Board, an association of Government, municipal and business interests formed for the purpose of promoting industrial activity in Winnipeg and the

Province, has realized that there will be a tremendous opportunity after this war is over for the expansion of its industrial development. It has determined to take advantage of this opportunity for the establishment of certain classes of industries, primarily those based on the use of our natural resources, including agricultural products.

To this end, the Industrial Development Board has strengthened its organization to enable an active campaign to be carried on to bring industries to our communities, particularly refugee capital or bombed out industries from Europe.

The officers of your Company are actively co-operating with the Industrial Development Board.

Improvements in general conditions resulted in some increase in the earnings of the Company's three utilities, but not to the extent that they may have affected some other industries. The firm power sales of the electric utility show an increase over 1939. Secondary power sales, however, showed a substantial decrease on account of the low water conditions prevailing in the Winnipeg River during the greater part of the year. This condition is improving, and with the amount of precipitation so far this year it is hoped that in the year 1941 there will be improved water conditions and a considerable increase in the Company's power sales.

General activity also had the effect of improving to some extent the gross earnings of the railway utility. The railway utility last year carried 44,603,000 passengers compared with 41,639,539 for 1939, which, however, was a far cry from the 61,239,000 passengers carried in 1929.

While it is undoubtedly true that much of the activity now experienced is attributable to the country's war effort, as forecast in the 1939 Report, there are good grounds for the belief that the Company will emerge from the war with enhanced opportunities in the fields which it serves.

DIRECTORS AND OFFICERS

Your Board of Directors consists of twelve members, six of whom are appointed by the bondholders. The other six directors are elected by the shareholders. The directors representing the shareholders are Messrs. Edward Anderson, K.C., LL.D., W. H. Carter, J. A. McPhail, K.C., A. J. Nesbitt, P. A. Thomson and Wm. Whyte.

Mr. Anderson, who was President and General Manager of the Company for over eleven years and who during that time carried a heavy responsibility, particularly in connection with

the reorganization of the Company, and whose health was somewhat impaired, felt he should be relieved of the onerous duties connected therewith, and tendered his resignation from these offices.

Mr. W. H. Carter, who is well known throughout Canada as the head of Carter-Halls-Aldinger Company Limited, contractors, and who has been for a long time connected with Winnipeg Electric Company as a Director and for some years as its Vice-President, has been appointed President and General Manager.

Mr. C. S. Riley, a Director of the Company, President of the Northern Trusts Company, Chairman of the Canadian Committee of the Hudson's Bay Company, and a Director of many other important companies, has been appointed Vice-President.

Your Directors take this opportunity to express their appreciation of the loyal and efficient services rendered by the Executive and the Employees in conducting the affairs of the Company and in furthering its interest during the year under review.

W. H. CARTER,
President.

WINNIPEG ELECTRIC COMPANY

CONSOLIDATED BALANCE SHEET

ASSETS

PHYSICAL PROPERTIES.....		\$74,545,764.31
(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, less adjustments during the year; the properties formerly owned by Manitoba Power Company, Ltd., based on the appraisal of R. S. Lea as of 31st December, 1927, and additions since at cost; and the properties formerly owned by Northwestern Power Company, Ltd., at cost).		
SUNDRY INVESTMENTS, including Dominion of Canada Second War Loan.....		114,347.79
CASH IN BANKS AND ON HAND.....	\$1,181,350.45	
CALL LOANS.....	650,000.00	
CONSUMERS' AND OTHER ACCOUNTS RECEIVABLE, less Reserve for Doubtful Accounts.....	841,340.39	
WORKING FUNDS AND DEPOSIT WITH WORKMEN'S COMPENSATION BOARD, etc.....	45,244.00	
MATERIALS, SUPPLIES, AND MERCHANDISE FOR SALE.....	651,680.48	
INSURANCE PREMIUMS AND OTHER EXPENSES paid in advance....	38,776.47	
		3,408,391.79
FUNDS ON DEPOSIT to meet Specific Liabilities:		
Bond Interest.....	\$ 693,657.30	
First Mortgage Bonds, Sinking Fund Payment due 2nd January, 1941.....	105,000.00	
Scrip Certificates.....	2,038.50	
Employees' War Savings Certificates Deposit in Trust.....	1,912.50	
		802,608.30
DEFERRED CHARGES:		
Discount and Expenses on Funded Debt Unamortized.....	\$ 296,126.51	
Miscellaneous Deferred Charges.....	36,749.15	
		332,875.66
EXPENDITURE ON LEASED PREMISES (Reserved per contra).....		103,137.83
		\$79,307,125.68

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 and Lake Winnipeg Railway Company, and Suburban Rapid Transit Company, for the year ended 31st December, 1940, and report that we have received all the information and explanations we have required.

Depreciation provided for the year is \$300,000 more than the amount specified in the General Plan of Consolidation and Readjustment for the purpose of determining the available income in connection with Series "B" Bonds; the amount so provided is still less than if it were based on rates recognized by the Municipal and Public Utility Board of the Province of Manitoba, applied to the Company's book values. Subject to this, and 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.

GEORGE A. TOUCHE & CO.

Chartered Accountants.
Auditors.

Winnipeg, 31st March, 1941

AND SUBSIDIARY COMPANIES

AS AT 31st DECEMBER, 1940

CAPITAL AND LIABILITIES

CAPITAL STOCK:

Preferred 50,000 Shares of \$100.00 each, non-cumulative;
dividend rates 4% to 2nd January, 1942, and thereafter
5%.....\$ 5,000,000.00

Common Shares of no par value, 281,712
Shares Class "A," and 283,277 Shares
Class "B".....\$13,754,521.07
Less Adjustments in Property Accounts.. 1,291,316.99
12,463,204.08

\$17,463,204.08

FUNDED DEBT:

3½% First Mortgage Bonds (First Series) due 2nd Jan.,
1960.....\$ 3,500,000.00

Remainder of Funded Debt in process of replacement by
new issues in accordance with the General Plan of Con-
solidation and Readjustment, as follows:

General Mortgage Bonds and/or Debenture Stock due
2nd January, 1965:

Series "A" 4% to 2nd January, 1942, and 5% there-
after..... 27,445,752.00

Series "B" Income Basis of 4% to 2nd January, 1942,
5% for next 5 years, and 5% fixed thereafter..... 6,000,000.00

36,945,752.00

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

ACCOUNTS PAYABLE, including wages and salaries.....\$ 731,757.86

CONSUMERS' SECURITY DEPOSITS AND ACCRUED INTEREST..... 118,165.68

TAXES ACCRUED..... 57,609.77

UNREDEEMED TICKETS IN HANDS OF PUBLIC..... 51,325.54

OTHER LIABILITIES..... 53,689.10

1,012,547.95

LIABILITIES for which funds are specially earmarked:

Bond Interest, payable 2nd January, 1941.....\$ 610,165.04

Matured Interest Coupons..... 83,492.26

Scrip Certificates (Northwestern Power Company Ltd.) 2,038.50

Employees' War Savings Certificates Payments..... 1,912.50

697,608.30

DEFERRED LIABILITIES (payable in instalments):

Lake of the Woods and Lac Seul Storage Charges, etc..... 560,490.78

MISCELLANEOUS RESERVES for Injuries and Damages, Leased

Premises, Contingencies, etc..... 499,655.54

DEPRECIATION AND PROPERTY RESERVES:

Depreciation Reserve.....\$13,887,245.99

Property Reserve..... 7,290,947.36

21,178,193.35

SURPLUS, before providing for Interest on Series "B" Bonds

and Dominion Income Taxes, for Year 1940..... 949,673.68

CONTINGENT LIABILITIES:

Contingent Certificates, as provided for in the General Plan, amounting to \$1,921,234.00,
less \$360,485.75 purchased, \$1,560,738.25. 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.

\$79,307,125.68

WINNIPEG ELECTRIC COMPANY AND
SUBSIDIARY COMPANIES

**CONSOLIDATED INCOME ACCOUNT
FOR THE YEAR ENDED 31st DECEMBER, 1940**

GROSS EARNINGS FROM OPERATION.....	\$7,303,236.09
OPERATING EXPENSES.....	3,601,929.77
NET OPERATING INCOME.....	\$3,701,306.32
MISCELLANEOUS INCOME (Net).....	44,351.62
GROSS INCOME.....	\$3,745,657.94

Interest on Funded Debt.....	\$1,220,330.08
Other Interest.....	38,413.81
Taxes.....	537,677.96
Depreciation.....	1,565,468.42
Amortization Bond Discount and Expense.....	15,235.74
Other Income Deductions.....	4,636.39
	3,381,762.40
NET INCOME before providing for Interest on Series "B" Bonds and Dominion Income Taxes.....	\$ 363,895.54

SURPLUS ACCOUNT

Balance, 1st January, 1940.....	\$ 869,247.38
Deduct: Interest on Series "B" Bonds for the year 1939, and purchase of Contingent Certificates.....	283,469.24
	\$ 585,778.14
NET INCOME FOR THE YEAR, before providing for Dominion Income Taxes, brought down.....	363,895.54
	\$ 949,673.68

Facts About Your Company and Its Subsidiaries

(As at December 31st, 1940.)

1. It renders service to a population of over 300,000.
2. It has 3 hydro-electric plants on the Winnipeg River.
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. It has 8 city and suburban street-car routes.
6. It has 22 city and suburban gasoline bus routes.
7. It operates 1 interurban gasoline bus route.
8. It has 2 trolley bus routes.
9. It employs 1,753 people.
10. It had a total payroll in 1940 of \$2,506,582.00.
11. It operates 48 miles of street-car routes.
12. It has 216 passenger cars.
13. It has 113 gasoline buses and 16 trolley buses.
14. It operates 97 miles of gasoline bus and 6 miles of trolley bus service.
15. It operated 10,589,340 car, gasoline bus and trolley bus miles during the year.
16. The power generated by its power plants during the year totalled 784,015,900 K.W.H.
17. It has a coal-gas plant with a total daily capacity of 2,250,000 cubic feet.
18. It has a water-gas standby plant with a total daily capacity of 4,000,000 cubic feet.

