

WINNIPEG
ELECTRIC
COMPANY

FORTY-SEVENTH
ANNUAL REPORT
NINETEEN THIRTY-NINE

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DIRECTORS:

EDWARD ANDERSON, K.C.	J. A. McPHAIL, K.C.
W. H. CARTER	A. J. NESBITT
WM. FERGUSON	ISAAC PITBLADO, K.C.
G. de B. GREENE	C. S. RILEY
GEORGE KIDD	P. A. THOMSON
D. H. McDOUGALL	WM. WHYTE

EDWARD ANDERSON, K.C., *President and General Manager*

W. H. CARTER, *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 THIRTY-NINE

*Submitted at the Forty-seventh Annual Meeting
held on the Twenty-ninth day of April
Nineteen Forty*

Report of the President and Directors Winnipeg Electric Company

For the Year ended December 31st, 1939.

To the Shareholders:

In submitting the Forty-seventh Annual Report for the year ended December 31st, 1939, your Directors present the following statements:

Balance Sheet and Auditor's Report
Income Account for 1939.

The audited accounts of the Company show the following:

Gross Earnings from Operation	\$6,906,547.60
From which were paid the regular Operating Expenses—	
Labor costs charged to operation.....	\$2,292,122.98
Material and supplies, most of which were purchased locally, and other operating costs.....	1,133,498.14
	\$3,425,621.12
	\$3,480,926.48
To which should be added income from Non-Operating Properties.....	17,829.25
	\$3,498,755.73
Making a Total Gross Income of.....	
From which the following should be deducted:	
Interest on Funded Debt, including interest on Income Bonds for 1939.....	\$1,495,330.08
Taxes.....	529,792.28
Depreciation.....	1,194,485.73
Amortization Bond Discount and Expense, etc....	61,115.69
	\$3,280,723.78
Leaving a Net Income for the year of.....	\$ 218,031.95

The Plan of Consolidation and Readjustment which became effective January 1st, 1935, and under which the Company is operating, provides that Interest on General Mortgage Bonds shall be at the rate of 4% on both Series "A" and Series "B" Bonds for the first seven years of the Plan. Beginning with the year 1942, the rate of interest on both Series "A" and Series "B" or Income Bonds is at the rate of 5%. The Plan further provides that beginning with the year 1940, Sinking Fund at the rate of 3% shall be paid on the First Mortgage Bonds then outstanding, plus interest on Bonds redeemed. The first payment will be due January 2nd, 1941.

In addition it provides that effective January 2nd, 1942, Sinking Fund shall be paid on General Mortgage Bonds, the first payment being due on July 2nd, 1943.

ADDITIONS AND IMPROVEMENTS TO COMPANY'S PROPERTY

During the year 1939 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, \$991,037.69, this amount being divided as follows:

Electric Utility.....	\$428,604.83
Railway Utility.....	468,317.81
Gas Utility.....	63,921.69
Non-Operating.....	3,000.00
The Winnipeg, Selkirk & Lake Winnipeg Railway Company.....	10,193.00
The Suburban Rapid Transit Company.....	17,000.36
Total.....	\$991,037.69

TAX BURDEN ON COMPANY

During the year 1939 the Company paid by way of taxes, exclusive of Dominion Income Tax, the sum of \$563,749.80, inclusive of gasoline taxes, while its subsidiaries, The Suburban Rapid Transit Company and The Winnipeg, Selkirk and Lake Winnipeg Railway Company have paid \$26,184.58, or a total tax bill of \$589,934.38.

FINANCIAL OPERATIONS

During the year 1939 it developed that a saving in Bond Interest could be made by calling the \$3,500,000 of 4½% First Mortgage Bonds (First Series), due January 2nd, 1960. Accordingly this Bond issue was refunded as of January 2nd, 1940 and replaced with a like amount of 3½% First Mortgage Bonds (First Series) maturing on the same date.

FRANCHISES

During the year the Company has negotiated extensions of its exclusive light, heat and power and transportation franchises in the City of St. Boniface to expire in the year 1960. Conversion of certain street railway routes to gasoline bus service was provided for and has since taken place.

New light, heat and power agreements have also been entered into with the Rural Municipalities of Fort Garry and East St. Paul for twenty and twenty-five year periods, respectively, granting exclusive privileges to the Company in both Municipalities.

Negotiations with the City of Winnipeg with regard to the franchise for the street railway still remain quiescent. In last year's Report it was stated that the Company had received permission to operate trolley buses instead of street cars on one route in the City as an experiment and on November 21st, 1938, trolley bus service was inaugurated on the Sargent Avenue Line. The City has since granted permission to operate a second trolley bus line and trolley bus service was inaugurated on the Notre Dame Avenue line on December 18th, 1939. The Company now has 16 trolley buses in operation, in lieu of street cars on these lines.

GENERAL CONDITIONS

Unsettled world conditions exercised a depressing effect on general business conditions for the first few months of 1939. In the West the 1938 crop was being marketed in the face of an adverse world wheat situation which was reflected in a declining price on the Winnipeg market.

The 1939 crop passed through its early stages under the best growing conditions which Western Canada had known since 1928. The crop deteriorated considerably throughout July and early August, but in spite of this fact and low prices which prevailed, it represented a value of \$338,205,000 as compared with \$275,482,000 in 1938. The result was a substantial improvement in business activity both in the West and throughout the country generally. By October the index of physical volume of business for Canada stood at 133.1 as compared with 118.6 (1926 = 100) in the same month of 1938.

The City of Winnipeg partook of the general improvement which was apparent throughout the Prairie Provinces. There was considerable activity in real estate circles throughout the summer, with building permits for the City totalling \$2,500,000, an increase of 20% over 1938. During the year 192 new dwellings, 3 apartment buildings and 1 downtown hotel were built. In the suburban municipalities adjoining the City there were 220 dwellings erected and total permits in that area were valued at \$1,123,000. By September the employment index for the City of Winnipeg stood at 98.2 (1926 = 100) as compared with 96.5 for the same month of 1938.

Since the outbreak of the war early in September it has become apparent that Canada is to make an important industrial contribution to the allied cause. The process of gearing the Canadian economy to the wartime needs of the allies is now underway with labour and capital being transferred into the war industries. In the West those industries which can be expected to reflect the new conditions will include flour milling, tanning, slaughtering and meat packing, knitted goods, clothing factories, machinery and iron and steel products. Construction will be adversely affected but basic export industries such as agriculture, mining and pulp and paper may receive a stimulus through depreciation of the Canadian currency.

Prior to the outbreak of hostilities aircraft manufacturing, under the impetus of Canadian demands and orders from the British Government had assumed important proportions. With the inauguration of the Empire Air Training Plan throughout Canada additional emphasis is thrown upon Canada's position as a source of war supplies, both in men and materials. The expenditure of vast sums of money under this plan is stimulating Canadian business.

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., A. J. Nesbitt, P. A. Thomson, W. H. Carter, J. A. McPhail, K.C., and Wm. Whyte.

It is with deep regret we record the death of J. S. Mackenzie, Treasurer of the Company for the past twenty-one years. Mr. Mackenzie faithfully served this Company in various capacities for a period of thirty-six years. He was succeeded as Treasurer by W. E. Blodgett.

Your Directors would like to express their appreciation of the loyal and efficient services rendered by the executive and employees in furthering the interests of the Company during the year under review.

EDWARD ANDERSON,
President.

WINNIPEG ELECTRIC COMPANY

CONSOLIDATED BALANCE SHEET

ASSETS

PHYSICAL PROPERTIES.....		\$76,331,999.05
<p>(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 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, Limited, at cost.)</p>		
SUNDRY INVESTMENTS.....		7,754.42
CASH IN BANKS AND ON HAND.....		\$600,676.93
CALL LOANS.....		300,000.00
CONSUMERS' AND OTHER ACCOUNTS RECEIVABLE, less Reserve for Doubtful Accounts.....		751,950.57
WORKING FUNDS AND DEPOSIT WITH WORKMEN'S COMPENSATION BOARD, etc.....		42,911.00
MATERIALS, SUPPLIES, AND MERCHANDISE FOR SALE.....		701,458.30
INSURANCE PREMIUMS AND OTHER EXPENSES paid in advance....		33,996.34
		2,430,993.14
FUNDS ON DEPOSIT to meet Specific Liabilities (per contra):		
Bond Interest.....		\$702,536.79
Scrip Certificates.....		2,080.50
		704,617.29
DEFERRED CHARGES:		
Discount and Expenses on Funded Debt Unamortized.....		\$282,892.18
Miscellaneous Deferred Charges.....		24,728.26
		307,620.44
EXPENDITURE ON LEASED PREMISES (Reserved per contra).....		112,514.00
PROPERTY ADJUSTMENT SUSPENSE, representing the estimated difference between the book value of and depreciation provided on property retired from service since 1st January, 1937.....		445,640.70
		\$80,341,139.04

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, 1939, and report that we have received all the information and explanations we have required.

Depreciation for the year has been provided on the basis 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 appreciably less than if it were based on rates recognized by the Municipal and Public Utility Board of Manitoba on the application of the Companies, applied to the 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, 19th March, 1940.

AND SUBSIDIARY COMPANIES

AS AT 31st DECEMBER, 1939

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	\$18,754,521.07

FUNDED DEBT:

4½% First Mortgage Bonds (First Series) due 2nd January, 1960.....	\$ 3,500,000.00	
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 4% to 2nd January, 1942, and 5% thereafter..	27,445,752.00	
Series B Income Basis of 4% to 2nd January, 1942, 5% for the next five 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 Special Bank Loan, since retired, are held by the Company.)

ACCOUNTS PAYABLE, including Wages and Salaries.....	\$ 584,294.85	
CONSUMERS' SECURITY DEPOSITS AND ACCRUED INTEREST.....	115,864.81	
TAXES ACCRUED.....	107,131.00	
UNREDEEMED TICKETS IN HANDS OF PUBLIC.....	54,888.89	
OTHER LIABILITIES.....	48,330.51	910,510.06

LIABILITIES for which funds are specially ear-marked (per contra):

Bond Interest, Payable 2nd January, 1940.....	\$ 627,665.04	
Matured Interest Coupons.....	74,871.75	
Scrip Certificates (Northwestern Power Company, Ltd.)..	2,080.50	704,617.29

DEFERRED LIABILITIES (payable in instalments):

Lake of the Woods and Lac Seul Storage Charges.....		492,096.98
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MISCELLANEOUS RESERVES for Injuries and Damages, Leased Premises, Contingencies, etc.....

462,606.30

DEPRECIATION AND PROPERTY RESERVES:

Depreciation Reserve.....	\$13,910,840.60	
Property Reserve.....	7,290,947.36	21,201,787.96

SURPLUS, before providing for Interest on Series B Bonds for year 1939.....		869,247.38
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CONTINGENT LIABILITIES:

Contingent Certificates, as provided for in the General Plan, amounting to \$1,921,234.00, less \$195,265.84 purchased, \$1,725,968.16. 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.

\$80,341,139.04

WINNIPEG ELECTRIC COMPANY AND
SUBSIDIARY COMPANIES

CONSOLIDATED INCOME ACCOUNT
FOR THE YEAR ENDED 31st DECEMBER, 1939

GROSS EARNINGS FROM OPERATION.....	\$6,906,547.60
OPERATING EXPENSES.....	3,425,621.12
NET OPERATING INCOME.....	\$3,480,926.48
MISCELLANEOUS INCOME (Net).....	17,829.25
GROSS INCOME.....	\$3,498,755.73
Interest on Funded Debt.....	\$1,255,330.08
Other Interest.....	39,229.63
Taxes.....	529,792.28
Depreciation.....	1,194,485.73
Amortization Bond Discount and Expense.....	6,716.88
Other Income Deductions, including Estimated Requirements for Income Taxes.....	15,169.18
	3,040,723.78
NET INCOME before providing for Interest on Series B Bonds.....	\$ 458,031.95

SURPLUS ACCOUNT

Balance, 1st January, 1939.....	\$ 656,325.56
Deduct Interest on Series B Bonds for the year 1938 and purchase of Con- tingent Certificates.....	245,110.13
	\$ 411,215.43
Net Income for the year brought down.....	458,031.95
	\$ 869,247.38

Facts About Your Company and Its Subsidiaries

(As at December 31st, 1939)

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 14 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 bus routes.
7. It operates 1 interurban bus route.
8. It has 2 trolley coach routes.
9. It employs 1,850 people.
10. It had a total payroll in 1939 of \$2,470,000.
11. It operates 50 miles of street car routes.
12. It has 218 passenger cars.
13. It has 99 gas buses and 16 trolley coaches.
14. It operates 91 miles of motor bus and 6 miles of trolley coach service.
15. It operated 9,933,243 car, bus and trolley coach miles during the year.
16. The power generated by its power plants during the year totalled 838,976,400 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.

