

WINNIPEG
ELECTRIC
COMPANY

FORTY-SIXTH
ANNUAL REPORT
NINETEEN THIRTY-EIGHT

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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*

J. S. MACKENZIE, *Treasurer*

L. PALK, *Secretary*

THE
ANNUAL REPORT

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

*Submitted at the Forty-sixth Annual Meeting
held on the Third day of April
Nineteen Thirty-nine*

Report of the President and Directors Winnipeg Electric Company

For the year ended December 31st, 1938

To the Shareholders:

In submitting the Forty-sixth Annual Report for the year ended December 31st, 1938, your Directors present the following statements:

Balance Sheet and Auditor's Report.
Income Account for 1938.

As shown by the audited accounts herewith the earnings of the Company during 1938, as in the previous year, were sufficient to enable the Company to pay all operating expenses, provide for depreciation and taxes, and pay all bond interest. The sacrifices made by the bondholders and other security holders in pursuance of the Plan of Reorganization made this possible.

The net income from the year's operation, after provision for Taxes, Depreciation and Bond Interest, but before provision for Interest amounting to \$240,000.00 on Series B Bonds, was \$279,034.18 compared with \$372,391.40 for the year 1937.

The reduction in net earnings is principally due to the reduction in power consumption of the Manitoba Paper Company, owing to reduced production of newsprint, the expiration of the power contract with the City Hydro Electric System on August 31st, 1937, and the increase in wages on May 1st, 1938. The earnings from Kenora Paper Mills Limited partially offset reductions in earnings from the two large customers referred to above.

ADDITIONS AND IMPROVEMENTS TO COMPANY'S PROPERTY

During the year 1938 the Company expended on extensions, replacements and reconstruction of its properties, \$1,239,610.09, this amount being made up as follows:

Electric Utility.....	\$ 676,964.61
Railway Utility.....	343,868.70
Gas Utility.....	149,448.65
The Winnipeg, Selkirk & Lake Winnipeg Railway Company.....	12,718.70
The Suburban Rapid Transit Company.....	56,609.43
Total.....	<u>\$1,239,610.09</u>

Electric Utility—\$676,964.61. This amount includes the cost of completing the new transmission line to Kenora, Ontario, that was started in 1937 to serve new power customers in the Kenora district, and additional substation equipment, extensions and additions to distribution system to take care of present and future requirements, as well as replacement of existing equipment due to obsolescence.

Railway Utility—\$343,868.70. This includes the purchase of six trolley buses with the necessary overhead distribution system to completely equip one line for trolley bus operation, the purchase of additional gasoline buses to meet traffic requirements, and the replacement of track and special work on the main lines of the system.

Gas Utility—\$149,448.65. This includes the cost of completing the installation of the coal mixing plant that was commenced in 1937; also the installation of ranges and water heaters and extensions and replacements of existing mains and services to take care of new customers.

The Winnipeg, Selkirk & Lake Winnipeg Railway Company—\$12,718.70. This includes extensions to Distribution System to take care of new customers, and installation of fire protection equipment in Mapleton Substation.

The Suburban Rapid Transit Company—\$56,609.43. Additions include cost of converting feeders in St. James to relieve overloaded conditions, extension of service to Stevenson Airport and additional equipment necessary to supply new customers.

It has been considered advisable that a survey and review of the physical properties and their values should be made. This work is now proceeding.

TAX BURDEN ON COMPANY

During the year 1938 the Company paid by way of taxes the very large sum of \$540,425.63, inclusive of gasoline tax, while its subsidiaries, The Suburban Rapid Transit Company and The Winnipeg, Selkirk & Lake Winnipeg Railway Company paid \$27,850.66, or a total tax bill of \$568,276.29. This contrasts with the Company's net income of \$39,034.18 for the year, after providing for Interest on Series B Bonds.

INAUGURATION OF TROLLEY BUSES

In last year's Report it was stated the Company had requested permission to operate trolley buses instead of street cars on one route in the City as an experiment. Permission to proceed was granted on July 11th, 1938, and on November 21st, trolley bus service was inaugurated on the Sargent Avenue

line, six trolley buses being utilized for this purpose. This Company is the first property in Western Canada to provide this form of transportation. The reception by the public as evidenced by press comment, by letters and increased traffic has been gratifying to the Management.

WAGE AGREEMENTS

Wage Agreements covering a two-year period ending April 30th, 1940, providing for small increases, were consummated with all groups of organized employees. This has made for further stability and harmony in our relations with employees.

GENERAL CONDITIONS

During 1938 business conditions recovered somewhat from the recession in the first half of the year. Western Canada harvested a wheat crop estimated at 324,000,000 bushels, the largest yield in six years but the price for many farm products, including wheat, fell to low levels. The agricultural income of Manitoba therefore showed a marked reduction from that of 1937. It became necessary for the Dominion Government to fix a price of 80c for No. 1 Manitoba Northern at Fort William, while the market price fluctuated around 60c. The wheat situation is admittedly serious as was disclosed at a conference called on marketing of farm products by the Premier of Manitoba, which was held in Winnipeg in December 1938. The Trade Agreement between United States and Canada was welcomed as a stimulus to North American international trade.

Mining in Manitoba and in Western Ontario has, however, shown continued development and the demand for goods and supplies as a result of this has assisted economic activity in Winnipeg materially. During 1938 the gross mining production in Manitoba is estimated at \$17,522,000 as compared with actual production in the previous year of \$15,571,645, or an improvement close to \$2,000,000. To this must be added an income of over ten million dollars in mining production in Western Ontario.

Our Company is directly benefiting from this mining activity by virtue of the power it now supplies to various properties in the Central Manitoba Mining Area. Now that our circuit to Kenora, Ontario, is operating we are in position to supply power to the mining properties under development in the area tributary to that circuit. A power contract has been negotiated and service is expected to be delivered early in 1939 to one mine near Kenora and active negotiations looking to an early contract to serve another property in that general area are now underway.

With regard to the position of Winnipeg, the estimate in the Report of last year that the crisis in civic finance might result in

hastily selected forms of taxation detrimental to the growth of Winnipeg industry was unfortunately fulfilled. A tax on light and power and gas bills limited to two years was imposed despite strenuous opposition by the Company. Obviously, owing to the preoccupation of the City with its problems of civic finance, negotiations with regard to the franchise for the street railway remained quiescent. There is reason to believe, however, that there is a growing public opinion sympathetic to the conducting of negotiations more vigorously in the coming year.

There has been little change in the sluggishness of the construction industry and of employment in Winnipeg. There has been, however, some improvement in the municipal finances of and in construction activities in St. Boniface and the outlying municipalities served exclusively by the Company.

During 1939 whilst it is not anticipated that progress will be great there is reason to expect somewhat better conditions as far as the Company is concerned than in 1938. The future for the pulp and paper industry is somewhat better and as two of our largest customers, the Manitoba Paper Company and the Kenora Paper Mills Limited should benefit from this improvement the revenues of the Company should be better.

On May 24th Winnipeg is to have the honor of a visit from Their Majesties, King George VI and Queen Elizabeth. As one of the oldest business concerns of Winnipeg, the Company welcomes this visit and tenders its loyal homage to Their Majesties.

DIRECTORS

It is with deep regret we record the death of W. J. Bulman, for the past two years Vice-President of the Company. Prior to this appointment Mr. Bulman had for many years rendered valuable services to the Company as a Director.

W. H. Carter was appointed Vice-President of the Company on October 3rd, 1938, and Wm. Whyte of Winnipeg has been made a Director to fill the vacancy on the Board.

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.

The loyal and efficient services rendered by the executive and employees in conducting the affairs of your Company during the past year are most gratefully acknowledged.

EDWARD ANDERSON,
President.

WINNIPEG ELECTRIC COMPANY

CONSOLIDATED BALANCE SHEET

ASSETS

PHYSICAL PROPERTIES.....		\$76,477,819.78
(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.)		
SUNDRY INVESTMENTS.....		7,754.42
CURRENT ASSETS:		
Cash in Banks and on hand.....		\$1,240,029.77
Funds on Deposit to meet specific liabilities (per contra):		
Bond Interest.....	\$702,568.96	
Scrip Certificates.....	2,161.50	
		704,730.46
Call Loan.....		200,000.00
Consumers' and Other Accounts Receivable, less Reserve for Doubtful Accounts.....		681,974.73
Working Funds and Deposit with Workmen's Compensation Board, etc.....		47,154.92
Insurance Premiums and Other Expenses paid in advance		27,373.10
Materials and Supplies, including merchandise for sale.....		666,567.38
		3,567,830.36
DEFERRED CHARGES:		
Miscellaneous Deferred Charges.....	\$ 31,596.17	
Discount and Expenses on Funded Debt Unamortized.....	141,054.19	
		172,650.36
EXPENDITURE ON LEASED PREMISES (reserved per contra).....		168,998.95
PROPERTY ADJUSTMENT (SUSPENSE, representing the estimated difference between the book value of and depreciation provided on property retired from service since 1st January, 1937.....		174,961.76
		\$80,570,015.63

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 and Lake Winnipeg Railway Company, and Suburban Rapid Transit Company, for the year ended 31st December, 1938, 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 recently 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, 4th March, 1939.

AND SUBSIDIARY COMPANIES

AS AT 31st DECEMBER, 1938

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 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 have been issued to the Bank as collateral security for the Special Bank Loan.)		

CURRENT AND ACCRUED LIABILITIES:

Accounts Payable, including Wages and Salaries.....	\$ 656,475.10	
Bond Interest (per contra):		
Payable 2nd January, 1939.....	\$627,665.04	
Matured Coupons, etc.....	74,903.92	702,568.96
Scrip Certificates (Northwestern) per contra.....	2,161.50	
Special Bank Loan (secured) payable in instalments.....	700,000.00	
Consumers' Security Deposits and Accrued Interest.....	116,869.11	
Taxes Accrued.....	128,199.92	
Unredeemed Tickets in Hands of Public.....	47,507.78	
Other Liabilities.....	34,033.42	
		2,387,815.79

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

533,007.60

DEFERRED LIABILITIES (payable in instalments):

Lake of the Woods and Lac Seul Storage Charges.....	\$ 495,976.63	
Paving Assessments (City of Winnipeg).....	28,832.02	524,808.65

DEPRECIATION RESERVE.....

13,476,837.60

PROPERTY RESERVE.....

7,290,947.36

SURPLUS, before providing for Interest on Series B Bonds for year 1938.....

656,325.56

CONTINGENT LIABILITIES:

Contingent Certificates, as provided for in the General Plan, amounting to \$1,921,234.00, less \$165,069.56 purchased, \$1,756,164.44. 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.

\$80,570,015.63

WINNIPEG ELECTRIC COMPANY AND
SUBSIDIARY COMPANIES

CONSOLIDATED INCOME ACCOUNT
FOR THE YEAR ENDED 31st DECEMBER, 1938

GROSS EARNINGS FROM OPERATION.....	\$6,584,148.90
OPERATING EXPENSES.....	3,352,256.81
NET OPERATING INCOME.....	\$3,231,892.09
MISCELLANEOUS INCOME (Net).....	22,045.73
GROSS INCOME.....	\$3,253,937.82

Interest on Funded Debt.....	\$1,255,330.08
Other Interest.....	50,216.28
Taxes.....	507,369.97
Depreciation.....	1,133,136.86
Amortization Bond Discount and Expense	6,716.88
Other Income Deductions, including estimated Income Taxes.....	22,133.57
	2,974,903.64
NET INCOME before providing for Interest on Series B Bonds.....	\$ 279,034.18

SURPLUS ACCOUNT

Balance, 1st January, 1938.....	\$ 617,291.38
Deduct Interest on Series B Bonds for the year 1937.....	240,000.00
	\$ 377,291.38
Net Income for the year brought down.....	279,034.18
	\$ 656,325.56

