

WINNIPEG  
ELECTRIC  
COMPANY

FORTY-FIFTH  
ANNUAL REPORT  
NINETEEN THIRTY-SEVEN

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*DIRECTORS:*

EDWARD ANDERSON, K.C.

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

ISAAC PITBLADO, K.C.

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

W. J. BULMAN, *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-SEVEN

*Submitted at the Forty-fifth Annual Meeting  
held on the second day of May  
Nineteen Thirty-eight*

# Report of the President and Directors Winnipeg Electric Company

*For the year ended December 31st, 1937*

*To the Shareholders:*

In submitting the Forty-fifth Annual Report for the year ended December 31st, 1937, your Directors present the following statements:

Balance Sheet and Auditor's Report.  
Income Account for 1937.

As shown by the audited accounts herewith the earnings of the Company during 1937, 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 on Series B Bonds amounting to \$240,000.00, was \$372,391.40 compared with \$440,568.01 for the year 1936.

The reduction in earnings is principally due to the expiration of the power contract with the City Hydro Electric System on August 31st, 1937, the increase in wages which was retroactive to May 1st, 1937, and the increase in general maintenance charges.

## ADDITIONS AND IMPROVEMENTS TO COMPANY'S PROPERTIES

During the year 1937 the Company expended on extensions, replacements and reconstruction of its properties \$1,414,680.93, this amount being made up as follows:

Electric Utility.....	\$ 858,244.94
Railway Utility.....	263,866.12
Gas Utility.....	109,906.82
Miscellaneous.....	21,822.00
Winnipeg, Selkirk & Lake Winnipeg Railway Company.....	36,603.52
Suburban Rapid Transit Company..	124,237.53
Total.....	\$1,414,680.93

*Electric Utility—\$858,244.94.* The heavy capital expenditures on Electric Utility included \$291,522.00 on a partially completed new transmission line to Kenora, Ontario, where the Company has made new power contracts. This item also includes much needed additional equipment to substations, overhead distribution system and general equipment to take care of present and future business. Other changes were made to take care of obsolescence.

*Railway Utility—\$263,866.12.* This sum was expended on track on existing main lines and on additional buses which were necessary to meet traffic requirements.

*Gas Utility—\$109,906.82.* This expenditure covers mains and services to take care of new customers; also water heaters and ranges installed. It also included a portion of the cost of the coal mixing plant which has since been completed and is now in operation.

*Miscellaneous—\$21,822.00.* This covers automotive equipment and office equipment.

*Winnipeg, Selkirk & Lake Winnipeg Railway Company—\$36,603.52.* Improvements include the purchase of buses consequent on discontinuation of interurban street car service and inauguration of bus service between Winnipeg and Selkirk.

*Suburban Rapid Transit Company—\$124,237.53.* This includes re-location of street car tracks, poles and wires as result of new franchise from the Municipality of St. James, which cancelled the 5% tax on Railway Gross Earnings.

## TAX BURDEN ON COMPANY

During the year under review the Company paid by way of taxes the very large sum of \$554,338.46, inclusive of gasoline tax, while its subsidiaries, the Suburban Rapid Transit Company, and the Winnipeg, Selkirk & Lake Winnipeg Railway were assessed \$31,426.14, or a total tax bill of \$585,764.60. It is to be noted that this sum is four and a half times as great as the Company's net income for the year, after providing for interest on Series B Bonds.

## NEGOTIATIONS WITH THE CITY FOR A NEW OR A MODIFICATION OF CERTAIN OF THE TERMS OF THE COMPANY'S STREET RAIL- WAY FRANCHISE

The negotiations between the Company and the Special Committee of the City Council for a new or a modification of its present franchise have continued during the year, and while

some progress has been made and the Committee has signified its willingness to recommend a grant of such franchise upon terms, there are still many points of difference to be overcome. In the meantime the Company has requested permission to operate trolley buses instead of street cars on one route in the City as an experiment.

### RENEWAL OF FRANCHISES

Negotiations with the Rural Municipality of St. Vital for an extension until December 31st, 1952, of the Company's exclusive light, heat and power franchise have been successfully completed and the Agreement covering such extension was ratified at the present sitting of the Provincial Legislature. Concurrently a supplementary Agreement with reference to transportation, operative until the first day of July, 1942, was entered into and has likewise been ratified.

### GENERAL CONDITIONS

During 1937 the national income of Canada was substantially larger than in 1936, the upturn being particularly marked in the Provinces of Quebec, Ontario and British Columbia. Recession in the United States during the latter part of the year arrested partially the recovery of Canadian business.

In the Western Provinces field crops constitute a large proportion of the wealth production and the continuation of the drought in Saskatchewan affected the whole economy of the West seriously. Manitoba, however, was fortunate in harvesting a most profitable wheat crop and with the increased diversification of farming in Manitoba, Winnipeg shares in the stability of economic enterprise throughout the Province. Reports indicate that there is ample pre-season moisture in most of the wheat-growing lands in the Prairie Provinces and with average rainfall this year the West should again produce a good crop. It is reasonable to hope that the end of the severe drought cycle has been reached and if price levels for agricultural products continue as at present, Winnipeg will share in the measure of recovery that will result.

Furthermore, during 1937 the gross mining production in Manitoba was \$16,000,000 or \$5,000,000 more than the production in any previous year. This does not include the increased mining activity in Western Ontario from which the Company benefits indirectly.

At present the construction industry in Winnipeg is still at a low ebb due partly to taxation on real estate. The growing costs of municipal services and the burden of relief brought a crisis in civic finance, which may result in hastily selected forms of taxation, detrimental to the growth of Winnipeg industry.

The long-run factors, however, favourable to the growth of Greater Winnipeg, are still operative. Increased mining activity, improvement in the prospects of agriculture in Manitoba, the growth of industry in the Winnipeg area, the improvement in the municipal finances of St. Boniface and outlying municipalities, the movement of grain through Winnipeg rather than to the Pacific coast, the strengthening of the link with Eastern Canada through the completion of the trans-Canada highway—all will continue to make Winnipeg a strategic centre of economic activity. It is earnestly to be hoped that these physical conditions may be reinforced by the strengthening of the East-West links as a result of the deliberations of the Royal Commission on Dominion-Provincial relations.

If the handicaps indicated are to be overcome and full advantage taken of the favourable factors, the co-operation of capital and labour will be essential.

### DIRECTORS

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

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

EDWARD ANDERSON,

*President.*

# WINNIPEG ELECTRIC COMPANY

## CONSOLIDATED BALANCE SHEET

### ASSETS

PHYSICAL PROPERTIES.....	\$75,851,489.87
(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 former properties of Manitoba Power Company, Limited, based on the appraisal of R. S. Lea as of 31st December, 1927, and additions since at cost; and the former properties of Northwestern Power Company, Limited, at cost.)	
SUNDRY INVESTMENTS.....	7,795.00
CURRENT ASSETS:	
Cash in Banks and on hand.....	\$1,367,241.99
Funds on Deposit to meet specific liabilities (per contra):	
Bond Interest.....	\$718,905.05
For Redemption of First Mortgage Bonds.....	1,020.71
Scrip Certificates.....	2,336.00
	722,261.76
Call Loan.....	200,000.00
Consumers' and Other Accounts Receivable, less Reserve for Doubtful Accounts.....	752,040.13
Working Funds and Deposit with Workmen's Compensation Board, etc.....	50,744.25
Materials and Supplies, including merchandise for sale.....	570,637.81
	3,662,925.94
DEFERRED CHARGES:	
Insurance Premiums and Other Expenses paid in advance, etc.....	\$ 58,680.98
Discount and Expenses on Funded Debt Unamortized.....	147,771.07
	206,452.05
Expenditure on Leased Premises (reserved per contra).....	173,592.21
Property Adjustment Suspense, representing the estimated difference between the book value of and depreciation accrued on property retired from service during the year 1937.....	162,633.61
	\$80,064,888.68

### AUDITORS' REPORT

To the Shareholders of 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, 1937, 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, 11th April, 1938



# AND SUBSIDIARY COMPANIES

AS AT 31st DECEMBER, 1937

## CAPITAL AND LIABILITIES

### CAPITAL STOCK:

Preferred 50,000 Shares of \$100.00 each, non-cumulative; dividend rates 4% to 2nd January, 1942, 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
	<u>\$18,754,521.07</u>

### 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 Jan., 1942, and 5% thereafter....	27,446,200.00
Series "B" Income Basis of 4% to 2nd January, 1942, 5% for the next 5 years and 5% fixed thereafter....	6,000,000.00
	<u>36,946,200.00</u>

(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.....	\$ 748,084.44
Bond Interest (per contra):	
Payable 2nd January, 1938.....	\$627,674.00
Matured Coupons, etc.....	91,231.05
	<u>718,905.05</u>
First Refunding 30-year 5% Sinking Fund Gold Bonds, due 2nd January, 1935, and accrued interest, called for redemption (per contra).....	1,020.71
Scrip Certificates (Northwestern) per contra.....	2,336.00
Special Bank Loan (secured) payable in instalments.....	700,000.00
Consumers' Security Deposits and Accrued Interest.....	121,865.70
Taxes Accrued.....	134,565.41
Unredeemed Tickets in Hands of Public.....	42,710.92
Other Liabilities.....	37,230.57
	<u>2,506,718.80</u>

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

563,494.35

### DEFERRED LIABILITIES (payable in instalments):

Lake of the Woods and Lac Seul Storage Charges.....	\$ 499,671.56
Paving Assessments (City of Winnipeg).....	42,027.78
	<u>541,699.34</u>

DEPRECIATION RESERVE..... 12,844,016.38

PROPERTY RESERVE..... 7,290,947.36

SURPLUS, before providing for Interest on Series "B" Bonds for year 1937.... 617,291.38

### CAPITAL COMMITMENTS:

Estimated cost of completing existing contracts for new construction, \$260,000.00.

### 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.

\$80,064,888.68

WINNIPEG ELECTRIC COMPANY AND  
SUBSIDIARY COMPANIES

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CONSOLIDATED INCOME ACCOUNT  
FOR THE YEAR ENDED 31st DECEMBER, 1937

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GROSS EARNINGS FROM OPERATION.....	\$6,750,380.89
OPERATING EXPENSES.....	3,446,445.65
NET OPERATING INCOME.....	<u>\$3,303,935.24</u>

Interest on Funded Debt.....	\$1,255,348.00
Other Interest.....	48,610.00
Taxes.....	527,965.96
Depreciation.....	1,052,719.02
Amortization Bond Discount and Expense.....	6,708.06
Other Income Deductions, including Estimated Income Taxes....	40,192.80
	<u>2,931,543.84</u>
NET INCOME before providing for Interest on Series "B" Bonds.....	<u>\$ 372,391.40</u>

SURPLUS ACCOUNT

BALANCE, 1st January, 1937.....	\$ 585,922.40
Deduct Interest on Series "B" Bonds for the year 1936, and purchase of Contingent Certificates.....	<u>341,022.42</u>
	\$ 244,899.98
NET INCOME for the year brought down.....	372,391.40
	<u>\$ 617,291.38</u>



