

WINNIPEG
ELECTRIC
COMPANY

FORTY-SECOND
ANNUAL REPORT
NINETEEN THIRTY-FOUR

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THE
ANNUAL REPORT

OF

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

*Submitted at the Forty-Second Annual Meeting
held on the seventeenth day of April
Nineteen thirty-five*

DIRECTORS:

EDWARD ANDERSON, K.C., *President*

W. R. BAWLF, *Vice-President*

W. J. BULMAN

J. B. WOODYATT

A. J. NESBITT

N. J. BREEN

S. L. FULLER

J. B. COYNE, K.C.

W. H. CARTER

P. A. THOMSON

J. A. McPHAIL

A. J. THOMAS

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

J. S. MACKENZIE, *Treasurer*

L. PALK, *Secretary*

Report of the President and Directors Winnipeg Electric Company

For the year ending December 31, 1934

To the Shareholders of Winnipeg Electric Company:

In submitting the Forty-Second Annual Report of Winnipeg Electric Company for the year ended December 31st, 1934, your Directors present the following statements showing financial results of the year's operations:

Balance Sheet and Auditors' Report,
Statement of Funded Debt,
Income Account for 1934,

and it will be noted that, while revenues showed a slight improvement, expenditures were kept to the lowest level in years by exercising the strictest economy.

UTILITIES

During January and February, 1934, the gross earnings of the Railway and Gas Utilities continued to decrease, but during the balance of the year, with the exception of November, total gross earnings of the Company showed a slight improvement over the year 1933. While many of the residents of Greater Winnipeg are still unemployed, employment is increasing and there is reason to look forward to a general improvement in conditions from which the Company should benefit.

Revenues of the Electric Utility show an improvement.

Fewer passengers were carried by the Railway Utility in 1934 than in 1933, but operating expenses were reduced, with the result that this Utility made a slightly better net showing than in the previous year. The showing, however, was by no means satisfactory, and, as has been the experience in the past several years, it fell far short of meeting the charges necessary to maintain efficient service and keep the system in a satisfactory financial condition.

The severity of the decline in passenger riding becomes apparent and explains the showing when it is recalled that in 1929 the Railway Utility transported 61,238,734 revenue passengers, whereas in 1934 the number carried totalled only 37,623,939, a decrease in riding of no less than 38.6 per cent. While, as indicated, the net showing for 1934 was slightly better than for the previous year, fewer passengers were carried and a very marked improvement in business must occur before we can hope to approach the 1929 volume in passenger riding.

As a result of the Company's application for relief from payment of the 5 per cent. street railway gross earnings tax, paving charges, and snow removal charges, the Manitoba Legislature at its 1933 session passed an Act authorizing the Municipal and Public Utility Board to examine further into the problem of public passenger transportation in the metropolitan area in and about the City of Winnipeg, and gave it authority to prepare a detailed plan to provide an adequate system of street transportation for the area, which was to be submitted at the 1934 session of the Manitoba Legislature, with draft Act or Acts to give effect to the plan. The Board made its investigation and filed its report, and a Bill to make it effective was introduced into the House by the Attorney-General, but the Legislature referred the whole question back to the Commission with instructions to prepare a new report dealing with all the properties of the Company, including the power developments and distribution system.

Since that time no substantial progress has been made in this connection. This is probably due to the fact that some time ago, as an alternative to granting relief, it was suggested that the City should take over the Company's street railway utility, and subsequently that the City should purchase all the holdings of Winnipeg Electric and associated Companies. Negotiations in this connection have been proceeding for some time and a Committee, consisting of the President and two of the Directors of Winnipeg Electric Company, and a representative of the bondholders, is now negotiating the question of purchase with the representatives of the City of Winnipeg, but in view of the magnitude of the interests involved, these negotiations will necessarily take considerable time.

The gross earnings of the Gas Utility were slightly lower than in the preceding year, but as operating expenses were reduced, the net showing was better than in 1933.

DIVIDENDS

No dividends on the common stock have been paid since August 1st, 1930, and in the last quarter of 1931 dividends on the preferred stock were suspended.

IMPROVEMENTS TO COMPANY'S PROPERTY

No major improvements to the Company's property were effected during the year under review.

The usual extensions, in the form of poles, wires, transformers and meters, etc., in the case of the Electric Utility, and of service mains and meters in that of the Gas Utility, were made to take care of new customers.

FINANCIAL READJUSTMENT

During the year under review the management has devoted itself energetically to bringing about a readjustment of the finances of your Company and associated Companies.

In view of the fact that the First Mortgage Bonds of Winnipeg Electric Company, amounting to approximately \$2,917,000 after deducting sinking funds, fell due on the first of January, 1935, and that the Company was unable to pay them and has no practical means of doing so, and on account of the impossibility of this Company making good its guarantee of the bonds of Northwestern Power Company, Limited, interest on which is in arrears for three years, the absolute necessity of readjusting the finances of the Company is apparent.

The bonds of the Winnipeg, Selkirk & Lake Winnipeg Railway, guaranteed both as to principal and interest by Winnipeg Electric Company, are in default. These bonds to the amount of \$400,000 matured on the 1st of July, 1933, and neither the principal nor the interest since January 1st, 1933, has been paid. Of these bonds \$44,500 are in the hands of the public and \$355,500 are owned by Winnipeg Electric Company, \$350,000 of which are pledged to the Trustee of the Refunding Mortgage Bonds and Debenture Stock of Winnipeg Electric Company.

The interest falling due on 31st January, 1935, on \$500,000 of Suburban Rapid Transit Bonds, guaranteed by Winnipeg Electric Company, has not been paid.

Protective Committees have been studying the affairs of the Winnipeg Electric group of Companies, and to meet the situation created by the difficulties above mentioned have formulated a plan of consolidation and readjustment which provides for the consolidation of the three major companies, namely, Winnipeg Electric Company, Manitoba Power Company, Limited, and Northwestern Power Company, Limited, and provides for a reduction of fixed charges and the exchange of securities of the new consolidated Winnipeg Electric Company for the outstanding securities of the three above mentioned Companies. It also provides for the exchange of securities of the consolidated com-

pany for the outstanding bonds of the Winnipeg, Selkirk & Lake Winnipeg Railway Company and Suburban Rapid Transit Company. It is expected that this plan will be submitted to the bondholders of the various Companies at an early date for their approval and that appropriate court proceedings will be taken with regard to the various matters dealt with in the plan requiring such action.

FINANCIAL OPERATIONS

No new financing was done by the Company during 1934. Additions to property, such as extensions to provide service to customers, were provided for out of cash from earnings.

As at December 31st, 1934, Winnipeg Electric Company held 136,158 shares of Manitoba Power Company, Limited. Winnipeg Electric Company's holdings in Manitoba Power Company, Limited, represent 90.8 percent of the total issued capital stock of 150,000 shares.

The loyal and efficient services rendered by the executives and employees in conducting the affairs of your Company and its subsidiaries are most gratefully acknowledged.

EDWARD ANDERSON,
President.

BALANCE SHEET AND
AUDITORS' REPORT
OF
WINNIPEG ELECTRIC COMPANY
FOR
THE FISCAL YEAR ENDING
DECEMBER 31, 1934

WINNIPEG ELECTRIC BALANCE SHEET

ASSETS

PHYSICAL PROPERTIES at Reproduction Cost as appraised by J. G. White Engineering Corporation, as of 31st December, 1916, and additions since.....	\$34,414,307.99
SINKING FUNDS:	
First Refunding Mortgage 30-year 5% Sinking Fund Gold	
Bonds of Winnipeg Electric Company at par value.....	\$2,083,000.00
Uninvested in hands of Sinking Fund Trustees.....	52,339.35
Purchased for account of Sinking Fund.....	22,000.00
	2,157,339.35
Advances to and Stock and Bonds held in Subsidiary and other Companies at Book Value.....	7,622,925.61
CURRENT AND WORKING ASSETS:	
Cash in Bank and on Hand.....	\$ 161,901.01
Cash in Bank—Special Accounts (held for Bond Interest, etc.).....	464,720.62
Consumers' and Other Accounts Receivable, less Reserve for Doubtful Accounts.....	447,665.55
Working Funds and Deposit with Workmen's Compensation Board, etc.....	38,550.92
Material and Supplies, Construction and Operation at cost as certified by a responsible official of the Company.....	480,180.72
	1,593,018.82
Deferred Charges to Operation and Insurance Premiums and Other Expenses paid in advance.....	367,960.80

\$46,155,552.57

AUDITORS' REPORT

To the Shareholders, Winnipeg Electric Company, Winnipeg.

We have audited the books and accounts of Winnipeg Electric Company for the year ended 31st December, 1934, and report that we have received all the information and explanations we have required. Subject to the value of the investments in and advances to subsidiary and other companies (which is further affected by interest on bonds and other obligations of Northwestern Power Company, Limited, not having been earned), and to the adequacy of the reserve for depreciation, in our opinion the above Balance Sheet is properly drawn up so as to present a true and correct view of the state of the Company's affairs, according to the best of our information and the explanations given to us, and as shown by the books of the Company.

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

Winnipeg, 20th March, 1935.

TRIC COMPANY

At 31st December, 1934

CAPITAL AND LIABILITIES

CAPITAL STOCK:

Cumulative Preferred Stock—		
Authorized 50,000 7% Shares of \$100.00 each and		
50,000 6% Shares of \$100.00 each. Issued and Out-		
standing 50,000 Shares of 7% Cumulative Preferred		
Stock.....	\$ 5,000,000.00	
Common Stock of No Par Value—		
Authorized 500,000 Shares.		
Issued and Outstanding 244,772 Shares.....	13,866,255.77	
		\$18,866,255.77

FUNDED DEBT (as per Schedule):

Bonds—First Refunding 30-year 5% Sink-		
ing Fund Gold Bonds, Redeemable		
1st January, 1935.....	\$5,000,000.00	\$ 5,000,000.00
Bonds acquired for account of Sinking		
Fund held by Trustees.....	2,083,000.00	
Outstanding.....	<u>\$2,917,000.00</u>	
30-year 6% Refunding Mortgage Bonds redeemable		
2nd October, 1954.....	7,000,000.00	
		\$12,000,000.00
Mortgage Stock—5% Refunding Mortgage Stock redeem-		
able 2nd October, 1954.....	4,380,000.00	
		16,380,000.00

CURRENT AND ACCRUED LIABILITIES:

Notes Payable to Bankers (secured).....	\$ 1,250,000.00	
Accounts Payable (Material and Supplies, Operating and		
Construction).....	259,322.77	
Wages and Salaries Payable.....	59,453.38	
Consumers' Security Deposits.....	45,193.87	
Other Liabilities.....	362,168.35	
Interest on Funded Debt—On 5% First Mortgage Bonds		
(payable 2nd January, 1935).....	125,000.00	
Accrued on 5% and 6% Refunding Mortgage Stock		
and Bonds (payable 2nd April, 1935).....	158,763.80	
Other Interest Accrued.....	42,319.05	
		2,302,221.22

DEFERRED LIABILITIES (Payable in Instalments):

Pavement Charges—Lake of the Woods and Lac Seul		
Storage Charges.....		165,417.62

RESERVES—Accrued Depreciation.....	\$ 7,240,492.32	
Sinking Fund Reserve.....	439,026.25	
Miscellaneous, including Reserves for Injuries and Dam-		
ages.....	193,817.50	
		7,873,336.07

SURPLUS.....		568,321.89
		<u>\$46,155,552.57</u>

NOTE—No Dividend has been declared or paid on Preferred Stock since October, 1931.

CONTINGENT LIABILITIES:

In respect of the Principal and Interest on the Bonds of and other guarantees in connection with:		
Manitoba Power Company, Limited.....	\$12,500,000.00	
Northwestern Power Company, Limited (Interest is in default since 2nd July, 1932).....	12,802,800.00	
Suburban Rapid Transit Company.....	500,000.00	
Winnipeg, Selkirk and Lake Winnipeg Railway Company—		
Bonds (in default since 2nd July, 1933).....	\$44,500.00	
Interest due on Bonds (in default since 2nd July, 1933).....	4,450.00	
		48,950.00

Amounts claimed by Province of Manitoba in respect of Lake of the Woods and Lac Seul Storage regulation in connection with the charges for interest on undeveloped sites amounting to \$3,745.59 on current account and \$1,809.77 on deferred, all of which is disputed by the Company.

UNDETERMINED LIABILITY:

In respect of services rendered, etc., in connection with reorganization for which accounts have not yet been received.

WINNIPEG ELECTRIC COMPANY

FUNDED DEBT

At 31st December, 1934

BONDS:

First Refunding Mortgage 30-year 5% Sinking Fund Gold Bonds, redeemable 1st January, 1935.....	\$5,000,000.00	\$5,000,000.00
Bonds acquired for account of Sinking Fund, held by Trustees.....	2,083,000.00	
Outstanding.....	<u>\$2,917,000.00</u>	
30-year 6% Refunding Mortgage Bonds, re- deemable 2nd October, 1954.....		<u>7,000,000.00</u>
		<u>\$12,000,000.00</u>

MORTGAGE STOCK:

5% Refunding Mortgage Stock or Bonds, redeemable 2nd October, 1954, total issue.....	£2,713,000.0.0	
Less converted into dollars at \$4.87 and issued as 30-year Refunding Mortgage 6% Bonds.....	£1,437,371.13.3	
Pledged as Security for Notes to Bankers..	375,628. 6.9	
	<u>1,813,000.0.0</u>	
Outstanding in hands of Public.....	£ 900,000.0.0	
		<u>4,380,000.00</u>
		<u>\$16,380,000.00</u>

WINNIPEG ELECTRIC COMPANY

INCOME ACCOUNT

For the Year Ended 31st December, 1934

GROSS EARNINGS FROM OPERATION.....	\$5,155,062.90
OPERATING EXPENSES, excluding Taxes and Depreciation.....	3,249,066.88
NET OPERATING INCOME.....	\$1,905,996.02
Miscellaneous Income (net).....	110,208.32
GROSS INCOME.....	\$2,016,204.34
Interest charged on Mortgage Stock, Bonds, Bank Loan, etc.....	\$950,818.34
Taxes.....	344,316.63
Depreciation.....	547,834.02
Foreign Exchange on Bond Interest.....	4,718.60
Other Income Deductions.....	19,259.97
	<u>1,866,947.56</u>
NET INCOME.....	<u>\$ 149,256.78</u>

SURPLUS ACCOUNT

Balance, 1st January, 1934.....	\$418,532.95
Sundry Adjustments (net).....	532.16
	<u>\$ 419,065.11</u>
NET INCOME for the year 1934, brought down.....	149,256.78
	<u>\$ 568,321.89</u>

