

WINNIPEG
ELECTRIC
COMPANY

THIRTY-NINTH
ANNUAL REPORT
NINETEEN THIRTY-ONE

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THE
ANNUAL REPORT
OF

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

*Submitted at the Thirty-ninth Annual Meeting
held on the fourth day of April,
Nineteen thirty-two*

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

FOSTER HANNAFORD

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 ended December 31st, 1931

To the Shareholders:

Your Directors beg to submit a statement of operations for the year ended December 31st, 1931, as follows:

Gross Earnings from Operation.....	\$5,680,795.45
Operating Expenses before charging Depreciation.....	3,709,018.81
Net Operating Income.....	\$1,971,776.64
Miscellaneous Income.....	173,774.08
Gross Income available to meet Fixed Charges, etc.....	\$2,145,550.72
From which the following deductions are made:	
Interest Charges on Mortgage Stock, Bonds, Bank Loans, etc.....	\$945,594.02
Taxes.....	351,826.55
Other Income Deductions.....	53,443.04
	1,350,863.61
Net Income as shown on accounts submitted herewith, excluding Depreciation.....	\$ 794,687.11

The Gross Earnings for the year 1931 show a decrease of \$397,259.92 as compared with the year 1930, and the Operating Expenses a decrease of \$314,020.41. Miscellaneous Income for the year is \$203,124.96 less than for the year 1930. In that year Miscellaneous Income included dividends in the amount of \$130,879.00 on the Company's holdings in Manitoba Power Company Stock, while interest on advances made temporarily to Northwestern Power Company until that Company could complete its financing totalled \$47,804.23 with no corresponding items during the year 1931.

The Net Income for the year was \$794,687.11, compared with \$1,088,153.02 in 1930, a decrease of \$293,465.91. Out of the Net Income of \$794,687.11 a total of \$531,885.94 was set aside for Depreciation, the balance \$262,801.17 being carried forward to Surplus Account, bringing the total surplus up to \$554,739.05 before providing for the payment of dividends.

After the payment of the dividend on the 7% Cumulative Preferred Stock for the first three quarters of the year, amounting to \$262,500.00, there was a balance carried forward of \$292,-239.05. The dividend on the preferred stock for the last quarter of the year was omitted. As usual, the Sinking Fund installment in 1931 amounting to \$69,000.00 was paid over and deposited with the Trustees.

UTILITIES

As was the experience in 1930, the Gross Earnings of the Electric, Railway and Gas Utilities were adversely affected by reason of the general recession in business, accompanied as it has been by wide-spread unemployment. The unemployed in Winnipeg are among those who in normal times are steady patrons of the Street Railway Utility, while many of them are customers of our Electric and Gas Utilities, and now find themselves unable to utilize our various services, at least to the same degree, as formerly.

Gross Receipts of the **Electric Utility** held up well, considering conditions, and were but one percent (1%) under those for 1930. It was found possible to reduce the Operating Expenses of this Utility sufficiently to make the net showing slightly better than in the preceding year.

The business of the **Railway Utility** of our Company depends directly on volume of riding. With unemployment so general it was inevitable that receipts should diminish. As evidence of the very great effect of unemployment on the revenues of the Railway Utility, it is interesting to note that according to information furnished by the Department of Labour at Ottawa employment in Winnipeg at the close of the year showed a decrease of 18.1% from December, 1929, and this, taken along with other contributing factors, explains the decrease in riding (during 1931) of 25.3% from 1929. Owing to an upward revision in fares, however, revenues for 1931 do not show a decrease of similar degree, being 16.1% under 1929. Although operating expenses of this Utility were reduced to a very considerable degree as a result of economies in operation and some reduction in service it was not possible to offset the full loss in gross earnings.

In last year's report it was stated that the experimental fare schedule placed in effect by the Municipal and Public Utility Board on October 6th, 1931, did not afford the Company sufficient relief, that the report of Mr. A. E. K. Bunnell, Expert, who was retained by this Board at the beginning of its investigation "of the whole street car fare problem" supported in very large measure the representations made by the Company during the course of the hearing and that the final decision of the

Board in this matter was expected shortly. The judgment of the Board re fares was issued on July 10th and was made effective August 3rd, 1931. The fares authorized under this judgment have resulted in an increase in the average fare per passenger. It also stated in its finding that it did not have jurisdiction in the matter of granting relief to the Company from payment of the 5% gross earnings tax and paving charges and the Company has continued to make representations to the City in its endeavor to secure elimination of these charges but so far without success and has now made application to the Provincial Legislature for this relief.

The **Gas Utility**, by reason of conditions already indicated, affecting both its industrial and domestic gas business, showed a decrease in revenue during 1931. The decrease in gross was largely offset by a material reduction in operating expenses and this would have been fully accomplished but for increased expenditure on maintenance of consumers' gas appliances.

WAGE REDUCTIONS

On October 1st the Directors, Officers and Department Heads of the Company, receiving \$3,000.00 or more per annum, took a 10% salary reduction. After lengthy negotiations an amicable settlement was finally reached with all groups of employees of the Company on the basis that those employees who were working full-time would take a 10% reduction in wages, while those working on either a part-time basis or 7 hours per day would not receive a cut of such proportions.

GENERAL CONDITIONS IN TERRITORY SERVED

In last year's report the following statement was made, "Winnipeg, dependent as it is upon the purchasing power of the Prairie Provinces, has gone through a trying year during 1930." Figures which followed this statement showed how the value of field crops in the three Provinces had diminished in that year as compared with 1928 and 1929. Unfortunately, a further decrease in the value of these was recorded during 1931 but the pessimistic attitude that has hovered over the wheat markets of the world for the past two years has been tempered more recently with a feeling that low prices have had their natural reaction upon production and consumption trends in both exporting and importing countries and that inevitable improvement lies ahead. The recuperative power of the Prairie Provinces has been remarkably demonstrated in past years and it appears safe to hazard the opinion that the prairie farmer will be able to surmount his present difficulties.

The trade reaction, which began in 1929, developed into a world-wide economic crisis in 1930 and has been accompanied by practically world-wide political tension. This condition has been further accentuated during 1931 and the great contraction in business has left no industry unaffected. However, in considering the various phases of the economic set-back which Canada has received, it is important to remember that they have arisen, to a very considerable degree, from extraneous causes.

Considering the long term trend, it is pertinent to call attention to the fact that in the last thirty years, according to the recent census, the population of Western Canada has increased by 400%, while that of the East increased about 55%. Too, an encouraging feature appears in the rapid development of the mining industry in Manitoba and it is noteworthy that the output of minerals during the year under review was valued at ten million dollars or approximately twice the total for 1930. Had base metal prices been normal, it is estimated that the value of the past year's output would have passed the twenty million mark. For 1932 this Province appears assured of a total of five metal producing mines in operation as compared to one producing two years ago. The mining activity of the past decade is now demonstrating results in terms of new operating mines and rapidly mounting output.

On account of low cost hydro-electric power and available natural resources, Manitoba holds great promise for electro-chemical and electro-metallurgical industries. With respect to recent developments in the industrial field the survey of the Industrial Development Board of Manitoba indicates that nine Winnipeg manufacturers enlarged their plants last year, seventeen increased their equipment and twenty-seven added new lines. In addition, Christie-Brown and Company, Limited, opened its million dollar biscuit factory, the most modern in America, in Winnipeg on February 15th, 1932.

Although it is not safe to conjecture as to the time when an improvement in business conditions may be expected, owing to international complications, it is important to point out that Manitoba still has great natural resources and industries, including lumber, pulp, paper, fisheries, water power, hydro-electric developments, copper, nickel, gold, silver, zinc and much fertile land. They remain unchanged and await further development.

IMPROVEMENTS TO COMPANY'S PROPERTY

To utilize the power brought in from the Seven Sisters Plant a new Terminal Station was built, located at the southwest boundary of the City, adjacent to the C.N.R. tracks.

This station, known as the "Fort Garry," is equipped with one bank of three 10,000 K.V.A. single phase transformers stepping down from 110,000 volts to 22,000 volts; also one bank of three 3,000 K.V.A. single phase transformers which reduces voltage from 22,000 volts to 4,000 volts for local distribution, and one bank of three 3,000 K.V.A. transformers stepping up from 22,000 volts to 60,000 volts to supply the Manitoba Government Provincial lines. The station is of the outdoor type, a small brick building being used to house the control equipment and the 4,000 volt switching for the local distribution. A 22,000 volt line was built from this station to tie in with the St. James substation and the distribution lines adjacent to this station were re-arranged to take power from it.

The usual extensions were made to take care of new customers.

No major changes were effected insofar as the Railway and Gas Utilities were concerned, as conditions did not warrant any but essential expenditures.

SEVEN SISTERS FALLS

During the year 1931 Northwestern Power Company Limited, formed for the purpose of developing hydro electric energy at Seven Sisters Falls, most of the stock in which Company is owned by Winnipeg Electric Company, completed its initial installation. This consisted of the installation of three units with an ultimate horsepower of 37,500 h.p. each when operating under a head of 66 feet, connected to three 32,500 K.V.A. generators, generating at 11,000 volts, 60 cycles, three phase. The initial installation included dykes and initial tailrace cut to operate at a head of approximately 38 feet.

Power is stepped up through three banks of transformers to 110,000 volts and transmitted to Winnipeg over a two-circuit, 110,000 volt steel tower transmission line, a distance of 64 miles.

FINANCIAL OPERATIONS

No permanent financing was done by the Company during the year 1931.

During the year 1931 an additional 2,546 shares of Manitoba Power Company Limited were exchanged for a like number of Winnipeg Electric Company's common shares and at December 31st Winnipeg Electric Company held 135,462 shares of Manitoba Power Company Limited, being 90.3% of the total issued capital stock of 150,000 shares.

ADDITION TO DIRECTORATE OF COMPANY

At the last Annual Meeting of the Company an addition was made to the Board of Directors by the appointment of Mr. J. A. McPhail, Sault Ste. Marie, and Mr. Foster Hannaford of Chicago, both representing the Middle West Utilities Company which had recently become a substantial holder of the Company's Capital Stock.

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.

WINNIPEG ELECTRIC COMPANY

INCOME ACCOUNT

For the Year Ended 31st December 1931

GROSS EARNINGS FROM OPERATION.....	\$5,680,795.45
OPERATING EXPENSES before charging Depreciation.....	3,709,018.81
NET OPERATING INCOME.....	\$1,971,776.64
Miscellaneous Income (Net).....	173,774.08
Gross Income.....	\$2,145,550.72
DEDUCT:	
Interest charged on Mortgage Stock, Bonds, Bank Loans, etc. \$945,594.02	
Taxes.....	351,826.55
Other Income Deductions.....	53,443.04
	<u>1,350,863.61</u>
NET INCOME BEFORE CHARGING DEPRECIATION.....	\$ 794,687.11
DEDUCT:	
Depreciation.....	531,885.94
NET INCOME TRANSFERRED TO SURPLUS.....	<u>\$ 262,801.17</u>
SURPLUS BROUGHT FORWARD FROM 1930, AS ADJUSTED.....	\$ 291,937.88
NET INCOME BROUGHT DOWN.....	262,801.17
	<u>\$ 554,739.05</u>
DIVIDEND on 7% Cumulative Preferred Stock.....	262,500.00
	<u>\$ 292,239.05</u>

WINNIPEG ELECTRIC

BALANCE SHEET

At 31st December 1932

ASSETS

PHYSICAL PROPERTIES at Reproduction Cost as appraised by the J. G. White Engineering Corporation, as of 31st December 1916, and additions since.....		\$34,281,078.50
SINKING FUNDS:		
First Refunding Mortgage 30 year 5% Sinking Fund Gold		
Bonds at par value.....	\$1,567,000.00	
Uninvested in hands of Sinking Fund Trustees.....	44,242.78	
Amount Due this Date (per contra).....	52,000.00	
		1,663,242.78
Advances to and Stock and Bonds held in Subsidiary and other Companies at Book Value.....		7,164,600.57
CURRENT ASSETS:		
Cash in Bank and on Hand.....	\$ 190,878.82	
Cash in Bank—Special Accounts (held for Bond Interest, etc.).....	142,357.28	
Consumers' and Other Accounts Receivable, less Reserve for Doubtful Accounts.....	573,694.80	
Working Funds and Deposit with Workmen's Compensation Board, etc.....	42,151.09	
Material and Supplies, Construction and Operation.....	552,003.78	
		1,501,085.77
Deferred Charges to Operation and Insurance Premiums and Other Expenses paid in advance.....		300,710.61

\$44,910,718.23

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 1931, 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, 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.

(Signed) GEORGE A. TOUCHE & CO.,
Chartered Accountants, Auditors.

Winnipeg, 24th March, 1932.

RIC COMPANY

SHEET

ember 1931

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 244,472 Shares	13,866,255.77	
		\$18,866,255.77

FUNDED DEBT (AS PER SCHEDULE):

Mortgage Stock	\$ 4,380,000.00	
Bonds	12,000,000.00	
		16,380,000.00

CURRENT AND ACCRUED LIABILITIES:

Notes Payable to Bankers (Secured)	\$ 996,000.00	
Notes Payable (Unsecured)	107,918.67	
Accounts Payable (Material and Supplies, Operating and		
Construction)	550,457.38	
Wages and Salaries Payable	84,852.33	
Consumers' Security Deposits	45,174.15	
Other Liabilities	578,072.98	
Accrued Interest (Payable 2nd January 1932)	125,000.00	
Accrued Interest Charges	199,444.81	
Sinking Fund Accrual (per contra)	52,000.00	
		2,738,920.82

DEFERRED LIABILITIES:

Pavement Charges, etc.—Payable in Installments	\$ 72,546.09	
Lake of the Woods Storage—Payable in Installments	60,785.63	
		133,331.72

RESERVES:

Accrued Depreciation	\$ 5,961,352.56	
Injuries and Damages, etc.	160,078.31	
Sinking Fund Reserve	378,540.00	
		6,499,970.87
SURPLUS		292,239.05

\$44,910,718.23

NOTE—No Dividend was declared or paid on Preferred Stock for the last quarter of the year.

CONTINGENT LIABILITIES:

In respect of the Principal and Interest of the Bonds of and other guarantees in connection with:

Manitoba Power Company, Limited	\$12,500,000.00
Northwestern Power Company, Limited	10,867,706.73
Suburban Rapid Transit Company	500,000.00
Winnipeg, Selkirk and Lake Winnipeg Railway Company	50,000.00
Other	97,119.36

WINNIPEG ELECTRIC COMPANY

FUNDED DEBT

At 31st December 1931

MORTGAGE STOCK:

5% Refunding Mortgage Stock or Bonds, Redeemable 2nd October 1954, total issue.....	£	2,713,000	
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</u>	
Outstanding in Hands of Public.....	£	900,000	
			\$ 4,380,000.00

BONDS:

First Refunding Mortgage 30 Year 5% Sinking Fund Gold Bonds, Redeemable 1st January 1935	\$5,000,000.00		
30 Year 6% Refunding Mortgage Bonds, Redeemable 2nd October 1954	7,000,000.00		
		<u>12,000,000.00</u>	
			<u>\$16,380,000.00</u>

