

CANADIAN PACIFIC RAILWAY COMPANY

ANNUAL REPORT

FOR THE
YEAR ENDED DECEMBER 31

1932

MONTREAL, MARCH, 1933

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CANADIAN PACIFIC RAILWAY COMPANY

NOTICE TO SHAREHOLDERS.

The Fifty-second Annual General Meeting of the Shareholders of this Company, for the election of Directors to take the places of the retiring Directors and for the transaction of business generally, will be held on Wednesday, the third day of May next, at the principal office of the Company, at Montreal, at Twelve o'clock, noon.

The Ordinary Stock Transfer Books will be closed in Montreal, New York and London at 3 p.m. on Tuesday, the eleventh day of April. The Preference Stock Books will be closed in London at the same time.

All books will be re-opened on Thursday, the fourth day of May.

By order of the Board,

ERNEST ALEXANDER,
Secretary.

MONTREAL, March 13, 1933.



BOARD OF DIRECTORS.

EDWARD W. BEATTY, - - - - -	MONTREAL.
HON. FREDERICK L. BEIQUE, P.C., K.C., SENATOR, - - -	do
W. A. BLACK, - - - - -	do
COL. HENRY COCKSHUTT, - - - - -	BRANTFORD.
SIR CHARLES GORDON, G.B.E., - - - - -	MONTREAL.
GRANT HALL, - - - - -	do
JOHN W. HOBBS, - - - - -	TORONTO.
SIR HERBERT S. HOLT, - - - - -	MONTREAL.
RT. HON. REGINALD MCKENNA, - - - - -	LONDON, ENG.
ROBERT S. McLAUGHLIN - - - - -	OSHAWA.
ROSS H. McMASTER, - - - - -	MONTREAL.
COL. FRANK S. MEIGHEN, C.M.G., - - - - -	do
E. R. PEACOCK, - - - - -	LONDON, ENG.
JAMES A. RICHARDSON, - - - - -	WINNIPEG.
RT. HON. LORD SHAUGHNESSY, K.C., - - - - -	MONTREAL.
ROBERT C. STANLEY, - - - - -	NEW YORK.
W. N. TILLEY, K.C., - - - - -	TORONTO.
W. J. BLAKE WILSON, - - - - -	VANCOUVER.

EXECUTIVE COMMITTEE.

EDWARD W. BEATTY	HON. FREDERICK L. BEIQUE, P.C., K.C.
SIR CHARLES GORDON, G.B.E.	GRANT HALL
SIR HERBERT S. HOLT	W. N. TILLEY, K.C.

OFFICERS

CHAIRMAN AND PRESIDENT - - - - -	EDWARD W. BEATTY - -	MONTREAL.
VICE-PRESIDENT - - - - -	GRANT HALL - - - -	do
SECRETARY - - - - -	ERNEST ALEXANDER - -	do
ASSISTANT SECRETARY - - - - -	H. C. OSWALD - - - -	do
ASSISTANT SECRETARY - - - - -	IAN R. COLLINS - - - -	do
GENERAL COUNSEL - - - - -	W. H. CURLE, K.C. - -	do
GENERAL SOLICITOR - - - - -	E. P. FLINTOFT, K.C. - -	do
GENERAL EXECUTIVE ASSISTANT - - - - -	J. O. APPS - - - - -	do
ASST. TO THE VICE-PRESIDENT - - - - -	H. J. HUMPHREY - - - -	do

FINANCIAL AND ACCOUNTING DEPARTMENTS

VICE-PRESIDENT AND TREASURER - - - - -	E. E. LLOYD - - - - -	MONTREAL.
ASSISTANT TO VICE-PRESIDENT - - - - -	J. A. DUNDAS - - - - -	do
ASSISTANT TREASURER - - - - -	F. G. MILLEN - - - - -	do
ASSISTANT TREASURER - - - - -	A. E. H. CHESLEY - - - -	do
COMPTROLLER - - - - -	L. B. UNWIN - - - - -	do
DEPUTY COMPTROLLER - - - - -	E. A. LESLIE - - - - -	do

TRAFFIC DEPARTMENT

VICE-PRESIDENT - - - - -	GEORGE STEPHEN - - - -	MONTREAL
PASSENGER TRAFFIC MANAGER - - - - -	C. B. FOSTER - - - - -	do
ASST. PASS. TRAFFIC MGR., EASTERN LINES - - - - -	R. G. MCNEILLIE - - - -	do
ASST. PASS. TRAFFIC MGR., WESTERN LINES - - - - -	N. R. DESBRISAY - - - -	WINNIPEG.
OVERSEAS PASSENGER MANAGER - - - - -	H. W. BRODIE - - - - -	MONTREAL.
STEAMSHIP PASSENGER TRAFFIC MANAGER - - - - -	WM. BAIRD - - - - -	do
ASST. STEAMSHIP PASSENGER TRAFFIC MGR. - - - - -	W. G. ANNABLE - - - - -	do
FREIGHT TRAFFIC MANAGER - - - - -	C. E. JEFFERSON - - - -	do
ASST. FREIGHT TRAFFIC MGR., EASTERN LINES - - - - -	G. HIAM - - - - -	do
ASST. FREIGHT TRAFFIC MGR., WESTERN LINES - - - - -	H. W. GILLIS - - - - -	WINNIPEG.
FOREIGN FREIGHT TRAFFIC MANAGER - - - - -	W. M. KIRKPATRICK - - - -	MONTREAL.

Eastern Lines:

OPERATING DEPARTMENT

GENERAL MANAGER - - - - -	J. J. SCULLY - - - - -	MONTREAL.
GEN. SUPT. NEW BRUNSWICK DISTRICT - - - - -	J. M. WOODMAN - - - -	SAINT JOHN.
GEN. SUPT. QUEBEC DISTRICT - - - - -	J. K. SAVAGE - - - - -	MONTREAL.
GEN. SUPT. ONTARIO DISTRICT - - - - -	H. C. GROUT - - - - -	TORONTO.
GEN. SUPT. ALGOMA DISTRICT - - - - -	THOMAS HAMBLEY - - - -	NORTH BAY.

Western Lines.

VICE-PRESIDENT - - - - -	D. C. COLEMAN - - - - -	WINNIPEG.
GENERAL MANAGER - - - - -	W. M. NEAL - - - - -	do
ASST. TO THE VICE-PRESIDENT - - - - -	C. E. STOCKDILL - - - -	do
GEN. SUPT. MANITOBA DISTRICT - - - - -	A. HALKETT - - - - -	do
GEN. SUPT. SASKATCHEWAN DISTRICT - - - - -	E. D. COTTERELL - - - -	MOOSE JAW.
GEN. SUPT. ALBERTA DISTRICT - - - - -	W. A. MATHER - - - - -	CALGARY.
GEN. SUPT. BRITISH COLUMBIA DISTRICT - - - - -	C. A. COTTERELL - - - -	VANCOUVER
CHIEF ENGINEER - - - - -	J. M. R. FAIRBAIRN - - - -	MONTREAL.
CHIEF OF MOTIVE POWER AND ROLLING STOCK MANAGER, DEPARTMENT OF PERSONNEL - - - - -	H. B. BOWEN - - - - -	do
GENERAL SUPT. OF TRANSPORTATION - - - - -	GEORGE HODGE - - - - -	do
MANAGER OF SLEEPING AND DINING CARS - - - - -	A. HATTON - - - - -	do
GENERAL MGR. OF COMMUNICATIONS DEPT. - - - - -	W. A. COOPER - - - - -	do
CHIEF COMM. OF IMMIGRATION AND COL. - - - - -	W. D. NEIL - - - - -	do
MANAGER, DEPT. OF NATURAL RESOURCES - - - - -	J. N. K. MACALISTER - - - -	do
EUROPEAN GENERAL MANAGER - - - - -	S. G. PORTER - - - - -	CALGARY.
DEPUTY SECRETARY AND REGISTRAR OF TRANSFERS - - - - -	SIR GEORGE MCL. BROWN, K.B.E., 62 to 65 Charing Cross, LONDON, ENG.	
	E. F. TREMAYNE, 8 Waterloo Place - - - -	do

NEW YORK TRANSFER AGENTS, Agents, Bank of Montreal, 64 Wall Street, - NEW YORK.
MONTREAL TRANSFER AGENTS, The Royal Trust Company, - - - - - MONTREAL.

CANADIAN PACIFIC RAILWAY COMPANY

FIFTY-SECOND ANNUAL REPORT

OF THE

DIRECTORS OF THE CANADIAN PACIFIC RAILWAY COMPANY.

YEAR ENDED DECEMBER 31, 1932.

To the Shareholders:

The accounts of the Company for the year ended December 31, 1932, show the following results:—

Gross Earnings.....	\$123,936,713.77
Working Expenses (including all taxes).....	103,846,729.16
Net Earnings.....	<u>\$ 20,089,984.61</u>
Special Income.....	4,537,425.72
	<u>\$ 24,627,410.33</u>
Deduct Fixed Charges.....	23,619,529.45
Surplus.....	<u>\$ 1,007,880.88</u>
Contribution to Pension Fund.....	750,000.00
Balance transferred to Surplus Revenue Account.....	<u>\$ 257,880.88</u>
Half-yearly dividend on Preference Stock of 2 per cent., paid October 1, 1932.....	<u>\$ 2,745,138.42</u>

SPECIAL INCOME FOR YEAR ENDED DECEMBER 31, 1932 .

Net Revenue from Miscellaneous Investments (Page 20)	\$ 37,450.00
Interest on Deposits, Interest and Dividends on Other Securities, Exchange, and results of Separately Operated Properties	2,962,782.31
Net Earnings Ocean and Coastal Steamship Lines	1,034,354.28
Net Earnings Commercial Telegraph and News Departments, Hotels, Rentals and Miscellaneous	502,839.13
	<u>\$ 4,537,425.72</u>

EARNINGS AND EXPENSES

Your directors regret that the accounts again show a decline in net revenue. The following table of comparison will show the progressive decline of gross and net income of the railways of your Company since 1928. For the purposes of this comparison the figures for the years prior to 1932 have been restated to include the operations of the subsidiary steam railways not included in railway accounts prior to that year.

YEAR	GROSS EARNINGS	WORKING EXPENSES (Including Taxes)	NET EARNINGS
1928.....	\$241,978,461.33	\$189,028,331.53	\$52,950,129.80
1929.....	223,320,906.54	178,406,920.47	44,913,986.07
1930.....	190,100,272.08	151,074,420.16	39,025,851.92
1931.....	147,846,118.93	122,421,352.43	25,424,766.50
1932.....	123,936,713.77	103,846,729.16	20,089,984.61
Decrease from 1928.....	118,041,747.56	85,181,602.37	32,860,145.19

It will be seen that the recession of gross income in the period has been \$118,041,747.56 or 48.78%. This may be attributed entirely to the trade depression throughout the world, in which your Company has merely shared the fate of all industries. No possible effort has been spared to maintain and develop traffic, but it will be appreciated that gross earnings, except within very narrow limits, are beyond control of the management.

It will be noted also that working expenses have been steadily reduced, the total reduction for the period being \$85,181,602.37, or 45.07%, but it will be appreciated that the necessity of maintaining the property and of providing adequate public service set a limit beyond which reductions cannot be carried. The greater part of the reduction in expenses which every year has shown, can be ascribed to the policy of economy and retrenchment instituted by your directors soon after the trade depression made its appearance. Following, as it did, upon the economies of previous years, the reduction in working expenses in 1932 of \$18,574,623, or 15.17% below those of the preceding year as against a reduction in gross earnings of \$23,909,405, or 16.17%, must be regarded as gratifying. It is gratifying also to be able to state that this result was attained without impairment of the property, or detriment to the public service. The working expenses for the year, including all

taxes, amounted to 83.79 per cent. of the gross earnings, as compared with 82.80 per cent. in 1931. Excluding taxes, the ratio of working expenses to gross earnings was 80.42 per cent. and in 1931, 80.01 per cent.

As a result of improvements in car and train tonnage, increase in the speed of freight trains, and saving in fuel consumption and overtime payments, the train cost of hauling one thousand tons of freight one mile was reduced to \$1.12 as compared with \$1.23 in 1931. In the maintenance of rolling stock the policy of working the main shops for limited periods in accordance with service requirements was continued, and it is satisfactory to be able to state that 93.3% of the Company's freight cars and 84.7% of its freight and passenger locomotives are in serviceable condition as compared with 87.4% and 71.3% respectively on Class 1 railroads of the United States. With the lower cost of materials and supplies, a reduced scale of wages, and favourable weather conditions during the year, the Company was able to maintain road and structures at \$2,890,000 less than in 1931. It was considered also that a severe cut could be made in advertising and other traffic expenses, and a large saving was made in these items.

The ten per cent. reduction applied to the majority of the payrolls in 1931 was extended early in the year to the remainder of the payrolls, following negotiations with the employees affected, and on October 1, an additional fifteen per cent. reduction in the salary of the President and fees of the directors, and an additional ten per cent. reduction in salaries of officers and employees in supervisory positions were applied. Your directors took steps also toward the application of the additional ten per cent reduction to other classes, and negotiations with employees to be affected are now in progress. When these are effective in accordance with the Company's proposal, the additional reductions will, on the basis of the payrolls for 1932, represent a saving of approximately \$7,500,000 per annum.

As a result of investigations concluded toward the end of the year, a further consolidation of official positions and reorganization of clerical forces has been made, which it is believed will result in a saving of approximately \$1,500,000 per annum.

Your directors cannot conclude this recital of the Company's affairs without paying tribute to the loyalty and zeal of all officers and employees, and their willingness to accept all changes which the conditions of the times required.

SPECIAL INCOME

What has been said in regard to rail income and expenses applies in all respects to Special Income Account. In steamship operation

the results were somewhat better than last year, but hotels and telegraphs both show a heavy decline. There was also a decrease in revenue from investments, owing in large part to the fact that no dividend was declared by the Consolidated Mining and Smelting Company, Limited, during the year. Interest on deposits declined, owing to reduction of rate and reduction of amount on deposit.

LAND SALES

Sales of agricultural lands for the year were 59,581 acres for \$803,663.52, an average of \$13.49 per acre. Included in these areas were 5,910 acres of irrigated land which brought \$42.15 per acre, the remainder averaging \$10.33 per acre.

ACCOUNTS

In view of the unsatisfactory results of controlled lines in the United States an appropriation of \$4,000,000 has been made from surplus as a reserve to provide for the possible future writing down of investments in these properties.

A provision of \$500,000 from the current year's income account for steamship replacement, was deemed sufficient in view of the amount already standing to the credit of the reserve for that purpose.

The unemployment situation having shown no improvement during the past year, the Company continued to lend aid to the extent of anticipating repair work. The expense in connection therewith is being taken into the Company's income accounts at the time the work would in ordinary course have been performed.

From time to time in past years, your Company, either as part consideration for its acquisition of control of certain separately operated subsidiaries, or for their subsequent financing, entered into certain guarantees of their securities. A table showing the extent of your Company's obligations arising from these transactions is included in the financial statements of the report. Statements showing surplus revenue account, land surplus account and changes in property investment are also included.

DIVIDENDS

With the greatest regret, your directors must announce that the general situation, and the result of the year's operation, preclude the possibility of any further distribution for the year 1932 to either Preference or Ordinary Stockholders. The excellent wheat crop, the fourth largest in ten years, gave promise of an important increase in

gross earnings, but the decline in the market which commenced early in October and continued to the end of the year, interrupted its movement, with the result that such traffic was only slightly better than in the corresponding period of 1931. With this decline in the basic industry of the country disappeared also the hope which had been entertained of an increase of general traffic. Your directors can only continue to exhort patience until the turn of the tide.

CAPITAL EXPENDITURES

In anticipation of your confirmation, your directors authorized capital appropriations, in addition to those approved at the last Annual Meeting, aggregating for the year 1932, \$426,730, and ask your approval of expenditures on capital account during the present year of \$1,609,787, of which amount \$1,310,500 represents the cost of materials already purchased and in stock. The following are the particulars of the principal items:—

Replacement and enlargement of structures in permanent form	\$ 137,667
Extensions to existing buildings	5,720
Ties, tie plates, rail anchors, ballasting, ditching and miscellaneous roadway betterments	1,343,005
Replacement of rail in main and branch line tracks with heavier section	2,787
Additional terminal and side track accommodation	16,368
Improving coaling and watering facilities	2,500
Installation of automatic signals	4,400
British Columbia Coast Steamships	1,000
Additions and betterments to equipment	77,266

The remainder is required for miscellaneous works to improve facilities and effect economies over the whole system.

ISSUE OF SECURITIES

There were issued and sold during the year \$12,500,000 Convertible Ten Year 6% Collateral Trust Bonds, secured by pledge of Four Per Cent. Consolidated Debenture Stock of the par value of \$17,000,000, the holders being given the right at any time during the period ending September 15, 1937, to convert their bonds into shares of the Ordinary Capital Stock of the Company in the ratio of four shares to One Hundred Dollars principal amount of the bonds.

Owing to financial market conditions no Preference Stock or Consolidated Debenture Stock was sold during the year, your directors deeming it advisable that the Company's requirements should be

met by short term loans. These loans amount to \$30,000,000, secured by pledge of \$40,000,000 Consolidated Debenture Stock, and \$5,000,000 bonds of Lucerne-in-Quebec Community Association.

For the purpose of meeting maturing obligations and providing for capital and other requirements of the Company, your directors recommend that your authority be given to the issue of Consolidated Debenture Stock, to be disposed of by way of sale or by pledge as security for loans, as market conditions and circumstances may warrant.

MINNEAPOLIS, ST. PAUL AND SAULT STE. MARIE RAILWAY

Business conditions throughout the territory in which your subsidiary the Minneapolis, St. Paul and Sault Ste. Marie Railway Company operates were at a similar low ebb as in Canada. Its gross earnings were only \$12,596,141, the lowest since 1908, although more than eight hundred additional miles of railway were in operation. To meet the deficit the Minneapolis, St. Paul and Sault Ste. Marie Railway Company borrowed \$6,117,361 from the Reconstruction Finance Corporation and the Railway Credit Corporation of the United States, your Company guaranteeing the payment of the loans to the extent of \$2,000,000.

For some years the Wisconsin Central has not been earning its fixed charges, and recently has failed to earn even operating expenses. As owner of practically all of its capital stock and a large amount of its bonds, and guarantor of some of its obligations, the Minneapolis St. Paul and Sault Ste. Marie Railway Company met these deficits in order to keep the line in operation. Toward the end of the year, being unable to make further advances, the Minneapolis, St. Paul and Sault Ste. Marie Railway Company suffered the line to go into receivership. It is, however, continuing to operate the railway for the receiver.

AGREEMENTS

Your confirmation and approval will be asked of the following agreements made by your directors during the past year:

1. Agreement dated November 15, 1932, between your Company of the one part and The Canadian Northern Railway Company and Canadian National Railway Company of the other part, whereby The Canadian Northern Railway Company and Canadian National Railway Company are given the joint use and enjoyment of the portions of your line between Youngstown and Coronation, the Coronation Terminals and between Coronation and Alliance, all in the Province of Alberta, on the basis of paying one-half the

interest charge on capital account and a wheelage proportion, with a minimum of 20%, of maintenance and operation expenses.

2. Agreement dated November 15, 1932, between The Canadian Northern Railway Company and Canadian National Railway Company of the one part and your Company of the other part, whereby your Company acquired the right to use a portion of the main line and the passenger station and freight shed of the Canadian National at Youngstown, Alberta, on the basis of paying one-half the interest charge on capital account and a wheelage proportion, with a minimum of 20%, of the maintenance and operation expenses.

3. Agreement dated November 15, 1932, between The Canadian Northern Railway Company and Canadian National Railway Company of the one part and your Company of the other part, whereby your Company acquired the right to use the line of the Canadian National from North Battleford through Hamlin to Glenbush and from Glenbush to Medstead, all in the Province of Saskatchewan, on the basis of paying one-half the interest charge on capital account and a wheelage proportion, with a minimum of 20%, of the maintenance and operation expenses.

ROYAL COMMISSION ON TRANSPORTATION

The Royal Commission on Transportation, to the appointment of which reference was made last year, concluded its work in September. Its Report, which has been widely published, contains the results of an exhaustive study of all phases of the subject. Of necessity, owing to their place in the transportation field, the Report deals mainly with the development and operation of the Government Railways and those of your Company since 1922, when the various government lines were consolidated. In its conclusions, the Commission pronounced in favour of the continuance of competition between the two undertakings, mitigated as to some of its effects, by co-operative effort. It was recommended that a statutory duty should be imposed upon them to "adopt as soon as practicable such co-operative measures, plans and arrangements as shall, consistent with the proper handling of traffic, be best adapted to the removal of unnecessary or wasteful services or practices, to the avoidance of unwarranted duplication in services or facilities, and to the joint use and operation of all such properties as may conveniently and without undue detriment to either party, be so used."

To enforce this duty, the Commission recommended that Arbitral Tribunals be set up for each occasion, composed of the Chief Commissioner of the Board of Railway Commissioners and of one representative of each of the two Railways, with the addition, if requested by either party in matters of major importance, of two additional members nominated by the Exchequer Court of Canada; the decision of a Tribunal to be final and binding, except on questions involving jurisdiction. Among the subjects over which the Arbitral Tribunals are to have jurisdiction are the following:

- (a) Joint use of terminals.
- (b) Running rights and joint use of tracks where there are actual or functional duplications, or where such may be avoided.
- (c) Control and prohibition in respect of the construction of new lines and provision of facilities and additional services where no essential need of the public is involved.
- (d) The joint use of facilities where this would promote economy or permit the elimination of duplicating or unremunerative services or facilities.
- (e) Abandonment of lines, services or facilities.
- (f) Pooling of any part or parts of freight traffic or of passenger traffic.
- (g) Things necessarily incidental to the above enumerated matters.

It having been announced in the Speech from the Throne at the opening of the parliamentary session in October, that a Bill would be introduced by the Government to give effect to the recommendations of the Royal Commission, your directors took early occasion to present to the Government and to Parliament their views upon the subject. Accompanying this report will be found a transcript of a statement which, by direction of your directors, was made to the Standing Committee on Railways, Telegraphs and Harbours of the Senate of Canada on November 17th, in which these views are set forth at length.

It will be noted that it is the feature of compulsory arbitration of differences upon co-operative measures to which your directors took exception, since such measures necessarily involve questions of control and administration of the Company's undertaking. With the principle of co-operation on a voluntary basis your directors are in hearty accord, and, to give it the fullest effect, your directors and officers have been in steady conference with the directors and officers of the Government Railways to devise and agree upon measures which will be productive of mutual economies.

It has been the practice to include in the appendix to this report a number of schedules giving detailed information in respect to various activities of your Company. In the interests of economy, schedules in which the changes have been unimportant, or which give detailed information of items appearing on the balance sheet, have been abbreviated or omitted. The schedules omitted, any of which may be obtained upon request, are as follows:

- Ocean and Coastal Steamships.
- Acquired Securities.
- Assets in Lands and Properties.
- Statement of Receipts and Expenditures.
- Construction—Branch Lines.
- Expenditures on Additions and Improvements.
- Expenditures on Leased and Acquired Lines.
- Statements of Freight and Passenger Traffic.
- Detailed Mileage Table.

STOCK HOLDINGS

The holdings of the Ordinary and Preference Stocks of the Company in December, 1932, were distributed as follows:—

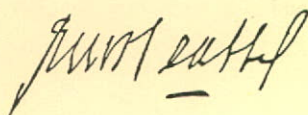
	ORDINARY		PREFERENCE		Percentage of Ordinary and Preference combined
	No. of holders	Percentage of Stock	No. of holders	Percentage of Stock	
Canada	35,101	19.50	87	.49	13.88
United Kingdom and other British	21,585	46.29	27,176	97.81	61.53
United States	16,492	28.03	31	.57	19.90
Other Countries	4,722	6.18	188	1.13	4.69
	<u>77,900</u>		<u>27,482</u>		

RETIRING DIRECTORS

The undermentioned directors will retire from office at the approaching Annual Meeting. They are eligible for re-election:

- MR. E. W. BEATTY
- MR. W. A. BLACK
- HON. F. L. BEIQUE, K.C.
- RT. HON. LORD SHAUGHNESSY, K.C.

For the Directors,



President.

MONTREAL, March 13, 1933.

CANADIAN PACIFIC
GENERAL BALANCE

ASSETS

PROPERTY INVESTMENT:

Railway, Rolling Stock Equipment, Lake and River Steamers and Hotels.....	\$871,789,071.34	
Ocean and Coastal Steamships.....	116,408,253.10	
Acquired Securities (Cost).....	178,868,015.71	
		\$1,167,065,340.15

ADVANCES TO CONTROLLED PROPERTIES AND OTHER INVESTMENTS.....

14,510,776.25

INVESTMENTS AND AVAILABLE RESOURCES:

Deferred Payments on Lands and Townsites...	\$ 50,870,516.27	
Provincial and Municipal Securities.....	792,721.29	
Miscellaneous Investments, (Page 20), Cost....	33,303,263.64	
Assets in Lands and Properties.....	55,795,581.95	
		140,762,083.15
INSURANCE PREMIUMS PAID IN ADVANCE.....		216,669.01

WORKING ASSETS:

Material and Supplies on Hand.....	\$ 20,195,758.95	
Agents' and Conductors' Balances.....	3,986,902.23	
Net Traffic Balances.....	584,308.67	
Imperial, Dominion and United States Governments, Accounts due for Transportation, etc..	859,200.64	
Miscellaneous Accounts Receivable.....	10,301,288.14	
Special Deposits.....	1,710,194.85	
Cash in Hand.....	15,173,490.69	
		52,811,144.17
		\$1,375,366,012.73

NOTE:

The Balance Sheet is expressed in Canadian Currency—Currencies other than Canadian having been converted at the par of exchange.

RAILWAY COMPANY
SHEET, DECEMBER 31, 1932.

LIABILITIES

CAPITAL STOCK:		
Ordinary Stock.....	\$ 335,000,000.00	
Four Per Cent. Preference Stock.....	137,256,921.12	\$ 472,256,921.12
FOUR PER CENT. CONSOLIDATED		
DEBENTURE STOCK.....	\$ 455,911,548.74	
LESS: Collateral as below*.....	164,500,000.00	
		291,411,548.74
TEN YEAR 5% COLLATERAL TRUST GOLD BONDS (1934)*.....		12,000,000.00
TWENTY YEAR 4½% COLLATERAL TRUST GOLD BONDS (1946)*.....		20,000,000.00
TWENTY-FIVE YEAR 5% COLLATERAL TRUST GOLD BONDS (1954)*.....		30,000,000.00
THIRTY YEAR 4½% COLLATERAL TRUST GOLD BONDS (1960)*.....		25,000,000.00
CONVERTIBLE TEN YEAR 6% COLLATERAL TRUST BONDS (1942)*.....		12,500,000.00
TWENTY YEAR 4½% SINKING FUND SECURED NOTE CERTIFICATES (1944)....	\$ 30,000,000.00	
LESS: Purchased by Trustee and cancelled.....	8,464,200.00	
	21,535,800.00	
LESS: Amount held by Trustee...	12,242.10	21,523,557.90
MORTGAGE BONDS:		
Algoma Branch 1st Mortgage 5 per cent.....		3,650,000.00
Lacombe & Blindman Valley Railway 1st Mortgage 5 per cent.....		273,700.00
SHORT TERM NOTES*.....		30,000,000.00
EQUIPMENT OBLIGATIONS.....	\$ 47,850,000.00	
LESS: Securities on hand with Trustee.....	6,000,000.00	
		41,850,000.00
CURRENT:		
Audited Vouchers.....	4,722,604.20	
Pay Rolls.....	2,481,233.04	
Miscellaneous Accounts Payable.....	5,717,741.68	
		12,921,578.92
ACCRUED FIXED CHARGES.....		1,389,678.33
DEFERRED:		
Dominion Government Unemployment Relief..		1,447,222.71
RESERVES:		
For Equipment Replacement.....	9,419,677.75	
For Steamship Replacement.....	27,780,437.10	
For Contingencies (net).....	2,785,433.21	
For Investments.....	4,000,000.00	
For Exchange on Working Assets and Current Liabilities.....	727,790.81	
		44,713,338.87
PREMIUM ON CAPITAL STOCK SOLD (LESS DISCOUNT ON BONDS AND NOTES).....		66,390,903.49
LAND SURPLUS.....		120,967,867.17
SURPLUS REVENUE.....		167,069,695.48
		<u>\$ 1,375,366,012.73</u>

L. B. UNWIN,

Comptroller.

AUDITORS' CERTIFICATE.

We have examined the Books and Records of the Canadian Pacific Railway Company for the year ending December 31, 1932, and having compared the above Balance Sheet therewith, we certify that, in our opinion it is properly drawn up so as to show the true financial position of the Company at that date, and that the statements of Income and Surplus Revenue correctly set forth the result of the year's operations.

Montreal, March 10, 1933.

PRICE, WATERHOUSE & CO.,
Chartered Accountants, (England).

SURPLUS REVENUE ACCOUNT

Surplus Revenue from Operation, December 31, 1931.....		\$127,579,894.45
Undistributed balance of Special Income, December 31, 1931, transferred from Surplus in Other Assets.....		54,941,682.05
		<u>\$182,521,576.50</u>
Dividend on Preference Stock for last half 1931 2 per cent., paid April 1, 1932.....	\$ 2,745,138.42	
Dividend on Ordinary Stock for last quarter 1931 1¼ per cent., paid April 1, 1932.....	4,187,500.00	
		<u>6,932,638.42</u>
		<u>\$175,588,938.08</u>
Balance of Income for year ended December 31, 1932, as per page 4..		257,880.88
		<u>\$175,846,818.96</u>
DEDUCT:		
Dividend on Preference Stock for first half 1932 2 per cent., paid October 1, 1932.....		2,745,138.42
		<u>\$173,101,680.54</u>
Loss on lines abandoned, property retired and not replaced, and miscellaneous debits.....	\$ 2,031,985.06	
Provision for losses in respect of investment in lines in the United States controlled through stock ownership.....	4,000,000.00	
		<u>6,031,985.06</u>
Surplus Revenue December 31, 1932, as per Balance Sheet.....		<u><u>\$167,069,695.48</u></u>

LAND SURPLUS ACCOUNT

Net Proceeds Lands and Townsites, December 31, 1931.....		\$ 72,061,226.36
Surplus in Lands and Properties, December 31, 1931, transferred from Surplus in Other Assets.....		56,316,953.26
		<u>\$128,378,179.62</u>
YEAR 1932:		
Sales and Miscellaneous Receipts.....		1,832,051.99
Interest on Deferred Payments.....		681,570.52
		<u>\$130,891,802.13</u>
DEDUCT:		
Land Expenses including Irrigation.....	\$ 1,100,656.67	
Taxes.....	1,048,545.07	
Immigration and Colonization expenses.....	462,144.67	
Interest on Note Certificates.....	976,134.82	
Contracts cancelled.....	2,733,731.41	
Adjustments of Land Inventory values.....	3,602,722.32	
		<u>9,923,934.96</u>
Land Surplus December 31, 1932, as per Balance Sheet.....		<u><u>\$120,967,867.17</u></u>

CHANGES IN PROPERTY INVESTMENT
YEAR ENDED DECEMBER 31, 1932

RAILWAY, ROLLING STOCK EQUIPMENT, LAKE AND
RIVER STEAMERS AND HOTELS:

Balance at December 31, 1931.....	\$868,448,442.64	
Construction of Branch Lines.....	750,313.11	
Additions and Improvements:—		
Main line and branches.....	1,567,414.18	
Leased and Acquired Lines.....	885,738.49	
Rolling Stock Equipment..... Cr.	35,997.57	
Lake and River Steamers..... Cr.	80,450.71	
Hotels, Office Buildings and Telegraphs.....	253,611.20	
	<hr/>	
Total as per Balance Sheet, December 31, 1932.....		\$871,789,071.34

OCEAN AND COASTAL STEAMSHIPS:

Balance at December 31, 1931.....	\$116,397,891.30	
Additions and Improvements.....	10,361.80	
	<hr/>	
Total as per Balance Sheet, December 31, 1932.....		116,408,253.10

ACQUIRED SECURITIES:

Balance at December 31, 1931.....	\$177,154,694.80	
Aroostook Valley Railroad, Stock.....	469,520.91	
Montreal & Atlantic Ry., 1st Mortgage Bonds....	1,120,000.00	
Northern Alberta Railways, 1st Mortgage Bonds..	200,000.00	
	<hr/>	
	\$178,944,215.71	
Less: Mineral Range Railroad, 1st Mortgage Bonds redeemed.....	76,200.00	
	<hr/>	
Total as per Balance Sheet, December 31, 1932.....		178,868,015.71
Total Property Investment December 31, 1932.....		<u><u>\$1,167,065,340.15</u></u>

FIXED CHARGES FOR YEAR ENDED DECEMBER 31, 1932.

£ 750,000	Algoma Branch 1st Mortgage Bonds, due July 1, 1937, 5%.....	\$ 182,500.00
£1,330,000	Atlantic & North West Ry. 1st Mortgage Bonds due January 1, 1937, 5%.....	323,633.34
\$ 273,700	Lacombe & Blindman Valley Ry. 1st Mortgage Bonds, due October 22, 1943, 5%.....	13,685.00
\$ 500,000	Lindsay, Bobcaygeon & Pontypool Ry. 1st Mortgage Bonds, due July 1, 2002, 4%.....	20,000.00
\$2,544,000	Man. S. West. Colzn. Ry. 1st Mortgage Bonds due June 1, 1934, 5%.....	127,200.00
\$ 500,000	New Brunswick Southern Ry. 1st Mortgage Bonds, due January 1, 1933, 3%.....	15,000.00
£4,007,381-15-5	Ontario & Quebec Ry. Debenture Stock 5%.....	975,129.56
\$ 2,000,000	Ontario & Quebec Ry. Common Stock 6%.....	120,000.00
£ 200,000	St. Lawrence & Ottawa Ry. First Mortgage Bonds 4%.....	38,933.34
	Rental, Algoma Eastern Ry	111,325.00
	Rental, Calgary & Edmonton Ry.....	218,357.60
	Rental, Dominion Atlantic Ry	168,500.00
	Rental, Hamilton Jct. to Toronto.....	86,560.12
	Rental, Joliette & Brandon Ry.....	5,000.00
	Rental, Lachine Canal Branch.....	983.71
	Rental, Mattawamkeag to Vanceboro.....	22,505.89
	Rental, New Brunswick Ry. System.....	377,168.74
	Rental, Newport to Wells River.....	246,000.00
	Rental, Quebec Central Ry.....	634,754.42
	Rental, St. Stephen & Milltown Ry.....	2,050.00
	Rental, Terminals at Hamilton.....	97,078.97
	Rental, Toronto, Grey & Bruce Ry	140,000.00
	Interest on Equipment Obligations.....	2,091,750.00
		<hr/>
		\$ 6,018,115.69
	4% CONSOLIDATED DEBENTURE STOCK	
£ 46,522,921	Interest from January 1, 1932	\$ 9,056,461.96
\$ 65,000,000	Interest from January 1, 1932	2,600,000.00
		<hr/>
		11,656,461.96
	10 YEAR 5% COLLATERAL TRUST GOLD BONDS	
\$ 12,000,000	Interest from January 1, 1932	600,000.00
	20 YEAR 4½% COLLATERAL TRUST GOLD BONDS	
\$ 20,000,000	Interest from January 1, 1932	900,000.00
	25 YEAR 5% COLLATERAL TRUST GOLD BONDS	
\$ 30,000,000	Interest from January 1, 1932	1,500,000.00
	30 YEAR 4½% COLLATERAL TRUST GOLD BONDS	
\$ 25,000,000	Interest from January 1, 1932	1,125,000.00
	CONVERTIBLE 10 YEAR 6% COLLATERAL TRUST BONDS	
\$ 12,500,000	Interest from March 15, 1932 (less accrual to date of sale)	454,713.49
	SHORT TERM NOTES	1,365,238.31
		<hr/>
		\$ 23,619,529.45

CONTINGENT LIABILITIES IN RESPECT OF SUBSIDIARIES NOT
OPERATED OR WHOLLY OWNED

DESCRIPTION	MATURITY	RATE	PRINCIPAL OUTSTANDING DECEMBER 31, 1932	EXTENT OF OBLIGATION
AROOSTOOK VALLEY R.R. Co.				
First and Refunding Mortgage Bonds.....	1961	4½%	\$ 455,832.00	Interest only.
First and Refunding Gold Bonds Series "A".....	1957	5½%	280,500.00	Interest only.
LORD NELSON HOTEL Co.				
First Mortgage Sinking Fund Gold Bonds.....	1947	4%	600,000.00	Interest only.
MINNEAPOLIS, ST. PAUL & SAULT STE. MARIE RY. Co.				
First Consolidated Mortgage Bonds.....	1938	4%	56,863,000.00	Interest only.
First Consolidated Mortgage Bonds.....	1938	5%	8,136,000.00	Interest only.
Second Mortgage Bonds.....	1949	4%	3,500,000.00	Interest only.
First Refunding Mortgage Bonds Series "B".....	1978	5½%	24,606,000.00*	Interest only.
Notes—Railroad Credit Cor- poration.....	1934		2,000,000.00	Principal and interest.
* \$12,500,000.00 pledged as collateral for \$10,000,000.00 notes.				
SAULT STE. MARIE BRIDGE Co.				
First Mortgage Bonds.....	1937	5%	1,000,000.00*	Principal and interest jointly and sever- ally with Minnea- polis, St. Paul & Sault Ste. Marie Ry. and Duluth, South Shore & At- lantic Ry.
* \$862,000.00 held in Sinking Fund.				
SOUTH SHORE DOCK COMPANY.				
Lease.....			950,000.00	A rental sufficient to cover interest and retire principal of 1st Mortgage 5% Bonds prior to De- cember 1, 1945.
TORONTO, HAMILTON & BUFFALO RY. Co.				
Consolidated Mortgage Bonds.	1966	4½%	2,000,000.00	Principal and interest jointly and sever- ally with Michi- gan Central R.R., New York Central R.R. and Canada Southern Ry.

MISCELLANEOUS INVESTMENTS.

	Par Value
Coeur d'Alene & Pend d'Oreille Ry. 1st Mortgage Bonds.....	\$ 47,000.00
Consolidated Mining & Smelting Company Stock, 305,587 shares.....	7,639,675.00
Cambridge Collieries Company, 1st Mortgage Refunding Bonds.....	250,000.00
Canadian Pacific Express Company Stock.....	3,000,000.00
Duluth, South Shore & Atlantic Ry. Ordinary Stock.....	6,100,000.00
" " " " Preferred Stock.....	5,100,000.00
Minneapolis, St. Paul & Sault Ste. Marie Ry. Ordinary Stock.....	12,723,500.00
" " " " Preferred Stock.....	7,000,000.00
Pennsylvania-Ontario Transportation Company Stock.....	187,500.00
Quebec Salvage & Wrecking Company Stock.....	150,000.00
Spokane International Railway Company Stock.....	3,941,800.00
West Kootenay Power & Light Company Preferred Stock.....	55,000.00
	<u>\$ 46,194,475.00</u>

Cost—\$33,303,263.64

We have examined all the Securities, including those listed above, held for account of the Canadian Pacific Railway Company, by the Treasurer, and have received certificates from the Custodians, for those deposited with the Banks and Trust Companies for safe custody, and having compared them with the records of the Company, find them correct and in order.

PRICE, WATERHOUSE & CO.,
Chartered Accountants (England)

Montreal, March 10, 1933.

STATEMENT OF EARNINGS FOR THE YEAR ENDED
DECEMBER 31, 1932.

From Freight	\$ 91,930,823.06
“ Passengers.....	16,717,303.57
“ Mails.....	3,621,875.28
“ Sleeping and Dining Cars, Express and Miscellaneous.....	11,666,711.86
Total.....	<u>\$ 123,936,713.77</u>

STATEMENT OF WORKING EXPENSES FOR THE YEAR ENDED
DECEMBER 31, 1932.

Maintenance of Way and Structures	\$ 19,758,918.36
Maintenance of Equipment	17,360,380.34
Traffic	7,409,406.91
Transportation	50,620,241.72
Miscellaneous Operations.....	1,479,793.27
General.....	3,291,800.70
Transportation for Investment—Cr.....	249,463.07
Railway Tax Accruals and Uncollectible Railway Revenues.....	4,175,650.93
Total.....	<u>\$ 103,846,729.16</u>

STATEMENT OF CANADIAN PACIFIC RAILWAY PENSION DEPARTMENT
TO DECEMBER 31, 1932.

Balance to January 1, 1932.....	\$ 692,654.57
Amount contributed by Company.....	750,000.00
Amount received as interest, etc.....	97,868.68
	<u>\$ 1,540,523.25</u>
Payment of Pension Allowances for year.....	1,431,996.32
Balance in Cash and Investments.....	<u>\$ 108,526.93</u>

NUMBER ON PENSION ROLL AT DECEMBER 31, 1932.

Under 60 years of age.....	41
Between 60 and 70 years of age..	980
Over 70 years of age.....	1130
Total.....	<u>2151</u>

STATEMENT OF CANADIAN PACIFIC RAILWAY INSURANCE
DEPARTMENT TO DECEMBER 31, 1932.

Balance January 1, 1932.....		\$ 7,532,704.46
Contributions to Fund chargeable to Operating Expenses:—		
Marine.....	\$ 364,406.65	
Fire.....	93,586.28	
	457,992.93	
Amount received as Interest.....		372,915.99
		\$ 8,363,613.38
 DISBURSEMENTS:		
Losses adjusted—		
Marine.....	\$ 199,727.14	
Fire.....	90,401.54	
	\$ 290,128.68	
Re-Insurance, Administration Expenses and Reserve for Losses.....	48,936.69	339,065.37
Balance in Cash and Investments.....		\$ 8,024,548.01

STATEMENT OF EQUIPMENT AT DECEMBER 31, 1932.
(Including equipment of leased subsidiaries)

Locomotives.....	2,137
First and second class Passenger, Tourist Sleeping, Baggage, Mail and Express Cars*.....	2,549
First class Sleeping, Parlor and Dining Cars	914
Freight Cars (all kinds).....	88,196
Conductors' Vans.....	1,374
Boarding, Tool and Auxiliary Cars and other Work Equipment..	6,857

*Includes Cars in Toronto, Hamilton and Buffalo
Line Service as follows:—

10 First Class	}	63.96% owned by other lines.
6 Second Class		
6 Baggage and Express		
<hr style="width: 100%;"/>		
22 Cars		

MILEAGE AT DECEMBER 31, 1932

CANADIAN PACIFIC RAILWAY—

Mileage included in Traffic Returns:

New Brunswick	District.....	874.8
Quebec	“	1,705.2
Ontario	“	1,497.8
Algoma	“	1,252.5
Manitoba	“	2,517.8
Saskatchewan	“	3,386.3
Alberta	“	3,092.9
British Columbia	“	1,843.4
Esquimalt & Nanaimo	“	211.0
Dominion Atlantic Lines.....		304.0
Quebec Central Lines.....		359.0

Total..... 17,044.7

Mileage of Lines under Construction:

Saskatchewan District.....		188.3
Alberta	“	68.3

256.6

Total..... 17,301.3

CONTROLLED LINES AND SEPARATELY
OPERATED SUBSIDIARIES—

Canada:

Grand River Ry.....	18.6
Lake Erie & Northern Ry.....	51.0

69.6

United States:

Aroostook Valley R.R.....	32.1
Duluth, South Shore & Atlantic Ry.....	562.0
Mineral Range R.R.....	61.7
Minneapolis, St. Paul & Sault Ste. Marie Ry.....	4,337.1
Spokane International Ry.....	163.6

5,156.5

5,226.1

22,527.4

