

copy

CANADIAN PACIFIC RAILWAY COMPANY

annual
1949
report

Library



FURBER HALL
LIBRARIES
MAR 31 1950
MCGILL UNIVERSITY



In 1949 Canadian Pacific, after studies of operating conditions peculiar to Canada, placed its first road Diesel locomotives in main line freight and passenger services.

CANADIAN PACIFIC RAILWAY COMPANY

NOTICE TO SHAREHOLDERS

The Sixty-ninth 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 (daylight saving time, if operative).

The Ordinary Stock Transfer Books will be closed in Montreal, Toronto, New York and London at 3 p.m. on Tuesday, the eleventh day of April, 1950. 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, 1950.

By order of the Board,

F. BRAMLEY, Secretary.

Montreal, March 13, 1950.

BOARD OF DIRECTORS

- The Rt. Hon. Sir John Anderson,
P.C., G.C.B., G.C.S.I., G.C.I.E.,
London, England
- Edwin G. Baker, Toronto
- *L. J. Belnap, Montreal
- Hon. F. Philippe Brais, C.B.E., K.C., Montreal
- D'Alton C. Coleman, C.M.G., Montreal
- *N. R. Crump, Montreal
- *Hon. Charles A. Dunning, P.C., Montreal
- G. Blair Gordon, Montreal
- Hon. Eric W. Hamber, C.M.G., Vancouver
- John W. Hobbs, Toronto
- Louis L. Lang, Kitchener
- *W. A. Mather, Montreal
- R. S. McLaughlin, Oshawa
- *Ross H. McMaster, Montreal
- Sir Edward Peacock, G.C.V.O.,
London, England
- Howard P. Robinson, Saint John
- Robert C. Stanley, New York
- *G. A. Walker, K.C., Montreal
- *Member of Executive Committee

OFFICERS

- Chairman G. A. Walker, K.C., Montreal
- President W. A. Mather, Montreal
- Vice-President N. R. Crump, Montreal
- Executive Assistant to the President A. C. MacDonald, Montreal
- Secretary F. Bramley, Montreal
- Deputy Secretary and Registrar of Transfers R. F. Tremayne, 8 Waterloo Place,
London, S.W. 1, England

LAW DEPARTMENT

- Vice-President and General Counsel F. C. S. Evans, K.C., Montreal
- General Solicitor J. Q. Maunsell, K.C., Montreal

OPERATING DEPARTMENT

- Vice-President, Eastern Region D. S. Thomson, Toronto
- General Manager, Eastern Region G. N. Curley, Toronto
- Vice-President, Prairie Region W. Manson, Winnipeg
- General Manager, Prairie Region J. I. MacKay, Winnipeg
- Vice-President, Pacific Region G. H. Baillie, Vancouver
- Chief Engineer J. E. Armstrong, Montreal
- Chief of Motive Power, Rolling Stock
and Department of Research W. A. Newman, C.B.E., Montreal
- General Superintendent of Transportation R. E. Taylor, Montreal

FINANCIAL DEPARTMENT

- Vice-President L. B. Unwin, Montreal
- Treasurer J. A. Dundas, Montreal

ACCOUNTING DEPARTMENT

- Vice-President and Comptroller Eric A. Leslie, Montreal
- Assistant Comptroller S. J. W. Liddy, Montreal
- Assistant Comptroller W. A. Crosbie, Montreal

TRAFFIC DEPARTMENT

Vice-President

General Traffic Manager

Freight Traffic Manager, System, Sales and Service

Freight Traffic Manager, System, Rates and Divisions

Freight Traffic Manager, Prairie, Pacific Regions

Foreign Freight Traffic Manager

Passenger Traffic Manager

Steamship Passenger Traffic Manager

Manager, Mail and Baggage Traffic

C. E. Jefferson, Montreal

G. F. Buckingham, Montreal

G. Hiam, Montreal

H. W. Gillis, Montreal

H. Arkle, Winnipeg

G. C. Dew, Montreal

Ian Warren, Montreal

H. B. Beaumont, Montreal

W. E. Allison, Montreal

EUROPEAN GENERAL MANAGER

J. C. Patteson, C.M.G.,

Trafalgar Square, London, W.C. 2, England

SPECIAL REPRESENTATIVE OF THE PRESIDENT

D. K. Buik,

Trafalgar Square, London, W.C. 2, England

ORIENTAL MANAGER

D. C. Miller, Hong Kong

PURCHASING AND STORES DEPARTMENT

Vice-President

General Purchasing Agent

B. W. Roberts, O.B.E., Montreal

John Eaton, O.B.E., Montreal

DEPARTMENT OF PERSONNEL

Vice-President

Assistant Vice-President

Chief of Medical Services

D. I. McNeill, K.C., Montreal

J. R. Kimpton, Montreal

*Maj.-Gen. C. P. Fenwick,
C.B., C.B.E., M.C., E.D., M.D., Montreal*

SLEEPING, DINING, PARLOUR CAR AND NEWS SERVICE DEPARTMENT

Manager

T. M. McKeown, Montreal

COMMUNICATIONS DEPARTMENT

General Manager

W. D. Neil, O.B.E., Montreal

HOTEL DEPARTMENT

General Manager

R. A. Mackie, Montreal

DEPARTMENT OF PUBLIC RELATIONS

Manager

J. H. Campbell, Montreal

INVESTIGATION DEPARTMENT

Chief

A. H. Cadieux, O.B.E., Montreal

DEPARTMENT OF IMMIGRATION AND COLONIZATION

Chief Commissioner

H. C. P. Cresswell, Montreal

DEPARTMENT OF NATURAL RESOURCES

Manager

Leslie Munroe, Calgary

STOCK TRANSFER AGENTS

*Bank of Montreal Trust Company,
64 Wall Street, New York*

*The Royal Trust Company,
105 St. James Street West, Montreal*

*The Royal Trust Company,
66 King Street West, Toronto*

HIGHLIGHTS

	1949	1948	Increase or Decrease
YEAR'S RESULTS			
Gross Earnings	\$ 363,252,094	\$ 355,249,702	\$ 8,002,392
Working Expenses	342,620,125	336,830,536	5,789,589
Net Earnings	20,631,969	18,419,166	2,212,803
Ratio, Net to Gross Earnings	5.7%	5.2%	0.5%
Other Income	\$ 23,636,653	\$ 24,864,949	\$ 1,228,296
Interest and Rental Charges	14,543,817	15,890,264	1,346,447
Dividends—Preference Stock—4%	3,872,768	4,557,682	684,914
— Ordinary Stock—5%	16,750,000	16,750,000	—
Balance for Modernization and Other Corporate Purposes	9,102,037	6,086,169	3,015,868
YEAR-END POSITION			
Property Investment	\$1,381,246,250	\$1,324,512,797	\$56,733,453
Other Investments	193,444,952	234,431,233	40,986,281
Funded Debt	79,373,000	102,037,000	22,664,000
Reserves	503,527,526	486,524,243	17,003,283
Working Capital	89,283,032	97,715,688	8,432,656
TRAFFIC STATISTICS			
Tons of Revenue Freight Carried	56,445,684	60,036,833	3,591,149
Revenue Passengers Carried	11,969,457	13,629,044	1,659,587
Revenue per Ton Mile of Freight	1.20¢	1.13¢	0.07¢
Revenue per Passenger Mile	2.72¢	2.48¢	0.24¢

SIXTY-NINTH

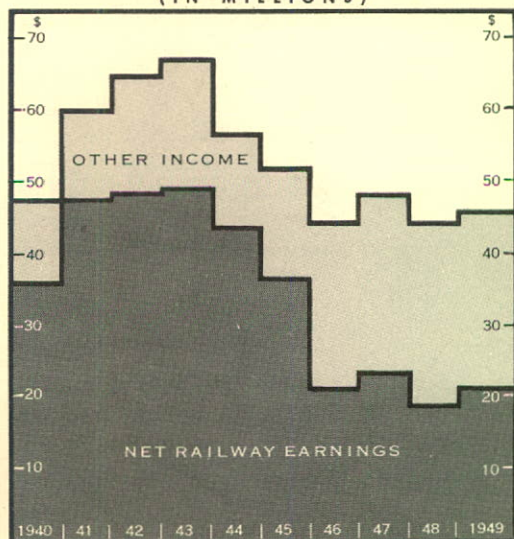
ANNUAL REPORT OF THE DIRECTORS

TO THE SHAREHOLDERS

The year 1949 was one of sustained industrial and commercial progress throughout Canada. Gross earnings from rail operations again surpassed those of any previous year, but net earnings, though showing a slight improvement over 1948, were substantially below the requirements found reasonable by the Board of Transport Commissioners. The rate of return on the net investment of your Company in rail property was 1.96% for the year 1949, far below an adequate level.

As your Directors have stated from time to time, net earnings from rail operations have been insufficient to provide any return to holders of ordinary stock. The accompanying chart indicates the severe drop in these earnings. It shows also that but for the unusually

INCOME BEFORE FIXED CHARGES
(IN MILLIONS)



large income from other sources it would not have been possible for your Company to meet even the modest dividend that has been paid in recent years.

On the application of the Railways made in July 1948 for an increase of 20% in freight rates, the Board of Transport Commissioners announced its decision in September 1949, authorizing an interim increase of 8% (except on grain rates within Western Canada) and a specific increase of 8¢ per ton on coal and coke. The judgment postponed the final determination of the application until several investigations and studies had been completed, including those of the Royal Commission on Transportation which has been sitting since the early summer of 1949.

An appeal was taken by your Company to the Supreme Court of Canada on two questions of law arising out of the judgment of the Board. The Court held that the Board had erred in postponing the final determination of the application of the Railways, and certified its opinion that the Board had failed to perform the duty imposed upon it by the Railway Act.

The Board, at the request of your Company, then set the application down for final hearing, which was concluded on February 7 last. The judgment of the Board, dated February 28, finds that in place of the 8% interim increase previously allowed, the Railways should now be allowed a 16% increase. On coal and coke an increase of 15¢ per ton instead of 8¢ is authorized. It is estimated that these increases, had they been in effect for the full year 1949, would have yielded to your Company only \$22 million, while the revenue deficiency as established by the Board itself amounted to approximately \$30 million. The steps necessary to redress this situation are now under consideration.

The Income and Profit and Loss accounts of your Company show the following results for the year ended December 31, 1949:

INCOME ACCOUNT

Gross Earnings	\$363,252,094
Working Expenses	342,620,125
Net Earnings.	<u>\$ 20,631,969</u>
Other Income	23,636,653
	<u>\$ 44,268,622</u>
Fixed Charges	14,543,817
Net Income	<u>\$ 29,724,805</u>
 Dividends—Preference Stock:	
2% paid August 1, 1949	\$2,131,203
2% payable February 1, 1950.	1,741,565
	<u>\$ 3,872,768</u>
 Dividends—Ordinary Stock:	
2% paid October 1, 1949	6,700,000
	<u>10,572,768</u>
Balance transferred to Profit and Loss Account	<u>\$ 19,152,037</u>

(The final dividend of 3% on the Ordinary Stock which was declared subsequent to the end of the year and is payable March 31, 1950, amounting to \$10,050,000, is not deducted in the accounts for the year 1949.)

PROFIT AND LOSS ACCOUNT

Profit and Loss Balance	
December 31, 1948	\$196,737,313
 Final dividend	
of 3% on the Ordinary Stock, declared from the earnings of the year 1948, paid March 31, 1949.	10,050,000
	<u>\$186,687,313</u>
 Balance of Income Account	
for the year ended December 31, 1949	\$19,152,037
 Portion of steamship insurance recoveries	
representing compensation for increased cost of tonnage replacement	576,264
 Miscellaneous	
Net Credit	315,163
	<u>20,043,464</u>
Profit and Loss Balance	
December 31, 1949, as per Balance Sheet	<u>\$206,730,777</u>

RAILWAY OPERATIONS

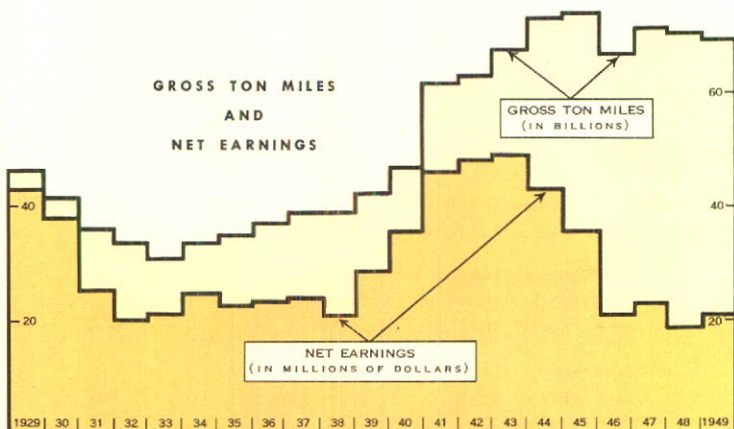
Gross earnings increased \$8 million, or 2.3%, over those of 1948. Of this, about \$6 million is attributable to freight traffic. There was a net increase of approximately \$18 million from adjustments in freight rates, but this was largely offset by a drop of nearly \$12 million in the volume of traffic, which was 6% lower, measured in tons, and 4% lower measured in ton miles.

Working expenses increased \$5.8 million. Of this increase \$4.2 million resulted from the general wage increase of 17¢ per hour, which was in effect for the full year 1949, as compared with ten months in 1948.

Maintenance expenses increased \$5.6 million — \$2.5 million in maintenance of way and structures and \$3.1 million in maintenance of equipment.

Track laying expense was greater, principally because of the installation of additional quantities of track material, including 223 more track miles of rail.

Equipment repair expense was higher owing to increased wage and material costs and to the increased number of freight and passenger cars repaired.



Maintenance expenses were credited with an amount of \$7.5 million withdrawn from the Maintenance Fund. Of this amount, \$6.25 million was applicable to track materials. Withdrawals from the Fund, as in 1948, were based on a formula which was applied without regard to the increase in prices of these materials as compared with prices at the time the accruals to the Fund were made.

Depreciation charged to maintenance expense was \$2.5 million less than in 1948. Of this, \$2.2 million resulted from the adoption of revised user rates developed in studies made during the year. The service lives on which the user rates now are based closely correspond with those on which the Board of Transport Commissioners based its straight-line depreciation rates for rate making purposes in its judgment of September 20, 1949.

Transportation expenses were little changed from last year, but the ratio of these expenses to gross earnings declined to 42.4% from 43.4% in 1948. This reduction resulted largely from a substantial decrease in fuel expense, the increased use of diesel power being a factor.

Operating performance showed an improvement; the average freight train load was greater and freight train speed increased. There was, however, a substantial increase in empty freight car miles.

Net earnings from railway operations in 1949 amounted to \$20.6 million, an increase of \$2.2 million. The ratio of working expenses to gross earnings was 94.3%, a fractional reduction only from 94.8% in 1948, the highest ever recorded. Between the years 1920 and 1939 this ratio varied from a low of 77.3% to a high of 85.4%.

OTHER INCOME

Other income amounted to \$23.6 million, a decrease of \$1.2 million compared with 1948.

Net earnings from ocean and coastal steamship operations decreased \$454,000. Ocean freight traffic was much lower and the effect of this was only partially offset by higher passenger carryings due to the return of the "Empress of France" to the Atlantic route.

Two new vessels placed in operation on the British Columbia Coast routes favourably affected the results for the year.

Net earnings of hotels increased \$640,000. Revenues were higher, mainly owing to the increases in rates for rooms and meals, made in July 1948, being effective for a full twelve months.

Net earnings from communication services increased \$780,000. Rentals from leased wires were higher and there was an improvement in revenues from domestic messages resulting from an increase in tolls of 15% made effective July 4.

Dividend income decreased \$2.8 million, principally because of the lower dividend paid by The Consolidated Mining and Smelting Company of Canada, Limited. The dividend rate on the stock of that company was reduced from \$11.00 in 1948 to \$9.50 in 1949.

Net income from interest, exchange, separately operated properties and miscellaneous sources increased \$666,000. Contributing to this increase was the inclusion of \$698,000 representing the net income of the Insurance Fund. The policy adopted in 1941 of retaining such income in the Fund was considered for the present to be unnecessary. Also included was an amount of \$359,000 received as interest for the period 1945 to 1948 on Duluth, South Shore and Atlantic Railroad income bonds acquired on the reorganization of that company. Offsetting in part this additional income, was a reduction in interest earned by the Steamship Replacement Fund and an increase in the operating loss of the Northern Alberta Railways, half of which is borne by your Company.

FIXED CHARGES

Fixed charges amounted to \$14.5 million for the year, a decrease of \$1.3 million.

Rents for leased roads and interest on Consolidated Debenture Stock payable in sterling were lower as a result of devaluation. The effect of this devaluation was offset somewhat by increased charges on equipment obligations, on Consolidated Debenture

Stock and on Collateral Trust Bonds payable in United States currency, because of the devaluation of the Canadian dollar.

Guaranteed interest was lower owing to the maturity on January 1, 1949, of Soo Line Second Mortgage Bonds.

NET INCOME AND DIVIDENDS

Net income, after payment of fixed charges, amounted to \$29.7 million, an increase of \$2.3 million. Dividends declared from net income aggregated \$20.6 million. This amount included dividends of 4% on the Preference Stock and 5% (\$1.25 per share) on the Ordinary Stock, of which the final 3% was declared after the close of the year.

Earnings per share on the Ordinary Stock amounted to \$1.93 per share. This compares with \$1.70 in 1948 and \$2.04 in 1947.

PROFIT AND LOSS ACCOUNT

The Profit and Loss balance of \$196.7 million at December 31, 1948, was reduced by \$10 million, the amount of the 3% dividend on Ordinary Stock, which was declared after the close of 1948 and paid on March 31, 1949.

Miscellaneous — Net Credit, amounting to \$315,000, included a credit of \$438,000 representing the unused balance of investment reserves set up to provide for potential losses in respect of investment in controlled lines in the United States. Other miscellaneous charges and credits were principally in respect of adjustments in property investment account.

LAND ACCOUNTS

Land sales amounted to \$3 million, which included 27,868 acres of timber lands and 59,880 acres of farming land, the latter at an average price of \$5.12 per acre. At the end of the year land holdings consisted of 1,627,145 acres, of which 1,000,863 were farm and pasture lands and the balance timber lands and town-sites.

At the close of the year 35,880 acres in respect of which your Company holds title to petroleum rights, under varying reservations, were under lease to oil companies and 11,193,882 acres were under reservation for exploration. Oil production increased over 1948 and royalty payments were therefore higher. Rents, royalties and reservation fees produced \$1.7 million in 1949, an increase of \$515,000 over 1948.

Cash received on land account totalled \$5.5 million. Disbursements, including taxes, were \$1.5 million. Deferred payments on lands and townships at the close of the year were \$8.5 million, a reduction of \$585,000 from the 1948 balance.

BALANCE SHEET

Total assets at the end of the year amounted to \$1,714 million.

Property investment increased \$56.7 million. Details of the changes are set out in a supporting schedule. The largest item of expenditure was \$44.6 million for rolling stock, of which \$9.5 million was for motive power, \$25.3 million for freight train cars and \$9.5 million for passenger train cars.

Funds amounting to \$16.7 million on hand from equipment trust certificates issued during 1948 were applied towards the cost of new equipment delivered in 1949.

The Log Chateau at Montebello, Que., and certain other physical assets of the Seignior Club Community Association were acquired by your Company in consideration, mainly, of the surrender of \$2 million First Mortgage Income Bonds of the Association. The assets so acquired have been leased to the Association for a period of 25 years.

Part of the advances made to Canadian Pacific Transport Company and to Canadian Pacific Air Lines for working capital and other purposes were repaid through the issuance to your Company of additional capital stocks of these wholly-owned subsidiaries.

The Maintenance Fund was reduced by \$7.5 million.

Withdrawals from the Steamship Replacement Fund included \$5 million, representing construction costs of British Columbia Coast vessels and reconversion costs of the "Empress of Scotland", and \$10.7 million used to redeem Collateral Trust bonds.

Working capital of \$89.3 million at the end of the year was \$8.4 million lower than at the end of 1948.

FINANCE

The amount of serial equipment obligations discharged during the year was \$12 million.

On July 2, 1949, \$10.7 million 4% Collateral Trust Bonds matured. Because of the present extraordinarily high cost of shipbuilding and the uncertain conditions prevailing in the Orient, your Directors have not considered it wise to undertake the replacement of ships for use on the Pacific Ocean, or for the expansion of your Atlantic Fleet. In order, therefore, to make the best use in the meantime of the funds set aside for that purpose, it was decided to appropriate \$10.7 million from the Steamship Replacement Fund to redeem these bonds. This sum was deposited with the Trustee for the issue.

These transactions resulted in a net decrease of \$22.7 million in funded debt during the year and a reduction of \$13.6 million in the amount of Consolidated Debenture Stock pledged as collateral.

PENSIONS

Expenditures for pensions during the year amounted to \$10.4 million. These included the proportion of pension allowances paid by your Company, its contribution to the Pension Trust Fund and levies in respect of employees covered by the United States Railroad Retirement Act. The periodic review of the pension position recently completed by the Actuary indicated that owing to the larger number of employees and higher wage rates, the resulting pensions to emerge in future years will be substantially increased. To assist in providing for increased pensions, your Directors authorized an increase from \$1.75 million to \$3 million in the annual contribution to the Pension Trust Fund.

The number of employees pensioned during 1949 was 1,326; and 574 pensions were terminated by death. At the end of the year there were 10,388 on the pension payroll, an increase of 752.

Distribution of the pensioners by age groups was:

Under 60 years of age	437
From 60 to 64 years of age, inclusive	1,140
From 65 to 69 years of age, inclusive	4,939
From 70 to 74 years of age, inclusive	2,382
From 75 to 79 years of age, inclusive	991
From 80 to 84 years of age, inclusive	375
From 85 to 89 years of age, inclusive	100
90 years and over	24
	10,388

EMPLOYEE RELATIONS

The settlement under which railway employees in the United States, other than those engaged in the operation of trains, were granted, effective September 1, a forty-hour week without reduction in weekly earnings was applied to the employees on the lines of your Company in Maine and Vermont. The estimated annual cost thereof, with increases in wage rates granted during the year, is \$714,000.

"Non-operating" employees of Canadian railways, including hotel employees and employees of other ancillary operations, have made demands for a forty-hour week with the same weekly earnings, and a wage increase of seven cents per hour (ten cents in some cases). Compliance with these requests would cost your Company approximately \$35 million annually. When negotiations failed to bring about a settlement, the Minister of Labour established two Boards of Conciliation which began their investigations into the disputes early in 1950.

CANADIAN PACIFIC AIR LINES, LIMITED

Operations of your Air Lines resulted in a net loss of \$113,000 as compared with a net loss of \$194,000 in 1948.

Operations in Canada continue to show improvement and revenues increased. The Pas operations were augmented by opening of the Winnipeg-Churchill service on June 7. A service from Montreal to Noranda was commenced on May 16. The survey division ceased operations March 1.

The year 1949 marked the official opening of commercial operations on the new Pacific routes. Service to Australia via Honolulu

commenced July 13 and to Japan and China via Alaska September 19. In order to provide more efficient and economical operation, an order has been placed for delivery of two De Havilland "Comet" jet-propelled aircraft which are expected to be in service by 1952. These aircraft are particularly suitable for operation over the long distances encountered in the Pacific service due, in part, to their considerably higher cruising speed.

An additional 600,000 shares of stock of your Air Lines were issued to your Company in exchange for advances of \$3 million previously made. To meet obligations in connection with the Pacific service an advance of \$2 million was made during the year. These transactions brought your total investment in Air Lines to \$11 million at the close of 1949.

As a base for the operations over the Pacific your Air Lines were able to acquire, at a favourable price, a large hangar and other buildings at the Vancouver International Airport on Sea Island. In consequence it will be possible to centralize, at one point, the overhaul of aircraft in both overseas and domestic services. It is also planned to accommodate in these facilities all of the administrative and technical staffs in order that they will be near the centre of operations. Upon completion of these changes a more economical and efficient operation will be possible.

UNITED STATES SUBSIDIARIES

Net income of Minneapolis, St. Paul & Sault Ste. Marie Railroad Company, after provision for fixed and contingent charges, amounted to \$1.1 million, a decrease of \$622,000 compared with 1948. Gross earnings decreased \$1.6 million, principally as a result of lower freight tonnage handled in 1949; offsetting this, in part, was a decrease of \$1 million in expenses. A dividend of \$1.00 per share on the capital stock, the same rate as paid in 1948, was declared on February 21, 1949. This amounted to \$719,000, of which your Company received \$360,000.

Under the plan of reorganization approved by the Interstate Commerce Commission and the Court, the reorganization managers formed a new company, under the laws of the State of Minnesota, to take over the properties of The Duluth, South Shore and Atlantic Railway Company and Mineral Range Railroad Company as

from November 1, 1949. The new company is named Duluth, South Shore and Atlantic Railroad Company.

In accordance with the plan, the initial capitalization of the new South Shore Company consists of \$5 million First Mortgage 4% Income Bonds and \$10.5 million Common Stock, represented by 210,000 shares having a stated value of \$50 per share. Your Company received \$4.1 million of the new bonds, all of the new stock, and \$1.2 million in cash. The new bonds and stock have been recorded in the accounts of your Company at \$13.6 million which is the remaining book value of investments in, and advances to, the old companies after giving credit for the cash payment referred to.

South Shore operations during 1949 resulted in an operating deficit of \$539,000, compared with net earnings, on a comparable basis, of \$748,000 in 1948. A marked decrease in freight earnings was the principal factor in this result.

Hearings in the reorganization proceedings of the Wisconsin Central continued before an Examiner of the Interstate Commerce Commission. Evidence was presented in support and rebuttal of the proposal of a group of bondholders for modification of the plan of reorganization approved by the Commission, designed to increase their proportion of new securities. Further briefs on the subject are to be filed by the interested parties.

RATES AND SERVICES

On April 23, the Board of Transport Commissioners delivered a judgment upholding the application of the Province of British Columbia for removal of the so-called "Mountain Differential" in freight rates. This adjustment in rates became effective July 1.

An interim increase of 8% in Canadian class and commodity rates and a specific increase of 8¢ per ton on coal and coke were authorized by the Board of Transport Commissioners in its judgment of September 20, and were made effective October 11. Grain rates in Western Canada were not affected.

Rates on international, overhead and certain import and export traffic were subject to two increases granted United States railways in 1949, and made applicable in Canada to these classes of traffic

by authority of the Board of Transport Commissioners. The first, averaging 5.4%, was made effective January 11, and a further increase of approximately 3.7% became effective September 1.

Various increases in passenger fares in Canada were put into effect during the year. Sleeping and parlour car fares were increased approximately 25% on January 15. Coach and first class fares were raised 15% on April 10 and May 11, respectively.

Special express rates issued to meet motor truck competition within Canada were increased by 8%, effective October 11.

Rates on the British Columbia Coast steamships were increased by varying amounts during the year.

An increase of 15% on domestic message telegraph tolls was authorized by the Board of Transport Commissioners, effective July 4.

Negotiations are still under way on the application made by the Railway Association of Canada in November 1948 for an increase of 55% in mail rates payable by the Government of Canada.

New motive power delivered during the year consisted of 6 steam locomotives and 48 diesel-electric units, of which 20 were road units and 28 were yard switchers. The change-over to diesel-electric motive power for all services on the Esquimalt & Nanaimo Railway on Vancouver Island was completed during 1949. Diesel power was also placed in use on the Montreal-Newport-Wells River line in June. The efficiency and economy of this type of power have been satisfactorily demonstrated.

A total of 3,596 new freight cars and 45 new passenger cars were placed in service. The passenger cars included 14 coaches and 5 roomette units.

The new classification yard in the Montreal area was nearly completed at the end of the year. The yard occupies an area of 680 acres. Traffic entering or leaving the yard will be controlled by a modern centralized traffic control system. Movement of cars from the hump to the classification tracks will be handled by push-button control through retarders and power operated switches. When complete, the yard will be one of the most up-to-date on this continent, and will meet the requirements of modern traffic conditions.

During the past year your Company has succeeded in having located on or adjacent to its lines, 590 manufacturing, warehousing and distributing enterprises. To serve 158 of these, twenty-four miles of siding were constructed.

The new coastal vessels "*Princess Marguerite*" and "*Princess Patricia*" went into service on the British Columbia coast and three old vessels, "*Princess Adelaide*", "*Princess Alice*" and "*Princess Charlotte*", were retired from service and sold. A contract was signed in June for the construction of a new vessel to handle passengers and motor cars between Vancouver and Nanaimo.

CAPITAL APPROPRIATIONS

In anticipation of your confirmation, capital appropriations aggregating \$9 million, in addition to those approved at the last Annual Meeting, were authorized by your Directors during the year. The principal items were \$4 million for the new vessel for the Vancouver-Nanaimo route, \$3.6 million for the modernization of the "*Empress of Scotland*" and \$535,000 for additions and betterments to communication facilities.

Your approval will be requested also for capital appropriations of \$33.4 million for the year 1950, comprised of:

Additions and betterments to stations, freight sheds, coaling and watering facilities and enginehouses	\$3,400,519
Replacement and enlargement of structures in permanent form	493,638
Tie plates, rail anchors and miscellaneous roadway betterments	425,828
Replacement of rail in main line and branch line tracks with heavier section	507,864
Installation of automatic signals	501,000
Additional terminal and sidetrack accommodation	1,007,565
Additions and betterments to shop machinery	924,830
New rolling stock	24,320,918
Additions and betterments to rolling stock	679,090
Coastal steamships	61,100
Inland steamships	160,000
Additions and betterments to communication facilities	701,868
Additions and betterments to hotels	167,297

The appropriations for new rolling stock make provision for 58 diesel units, 720 freight cars, 50 express cars and 317 work cars. The diesel units, consisting of 30 "A" units, 20 "B" units, 4 road switchers and 4 yard switchers, will be placed in service between Cartier and Fort William on the Schreiber Division in Ontario.

STOCK HOLDINGS

The holdings of the Capital Stock of your Company at December 31 were as follows:

	Ordinary		Preference		Total
	No. of Holdings	Percentage of Stock	No. of Holdings	Percentage of Stock	Percentage of Stock
Canada	21,083	15.77	164	.51	11.25
United Kingdom & Other British	9,369	34.41	27,395	96.85	52.91
United States	30,581	44.55	80	.35	31.46
Other Countries	3,513	5.27	523	2.29	4.38
	64,546	100.00	28,162	100.00	100.00

DIRECTORATE


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

The Rt. Hon. Sir John Anderson, G.C.B.
 Mr. L. J. Belnap
 Hon. Eric W. Hamber, C.M.G.
 Mr. Ross H. McMaster
 Mr. G. A. Walker, K.C.

OFFICERS AND EMPLOYEES

It is a pleasure for your Directors to record again their appreciation of the effective work of officers and employees in all branches of the service. Their co-operation in the constant effort to achieve efficiency in operations is gratefully acknowledged.

For the Directors,


 President.

Montreal, March 13, 1950.

CANADIAN PACIFIC RAILWAY COMPANY

ASSETS

Property Investment:		
Railway, Rolling Stock and Inland Steamships	\$964,265,009	
Improvements on Leased Property	116,768,991	
Stocks and Bonds—Leased Railway Companies	134,883,654	
Ocean and Coastal Steamships	62,476,772	
Hotel, Communication and Miscellaneous Properties	102,851,824	
		<u>\$1,381,246,250</u>
Other Investments:		
Stocks and Bonds—Controlled Companies	\$ 71,923,324	
Miscellaneous Investments	47,157,050	
Advances to Controlled and Other Companies	6,819,809	
Mortgages Collectible and Advances to Settlers	981,051	
Deferred Payments on Lands and Townsites	8,492,454	
Unsold Lands and Other Properties	11,546,859	
Maintenance Fund	17,850,000	
Insurance Fund	13,188,540	
Steamship Replacement Fund	15,485,865	
		<u>193,444,952</u>
Current Assets:		
Material and Supplies	\$ 46,305,383	
Agents' and Conductors' Balances	13,875,642	
Miscellaneous Accounts Receivable	17,670,714	
Government of Canada Securities	22,889,000	
Cash	33,635,855	
		<u>134,376,594</u>
Unadjusted Debits:		
Insurance Prepaid	\$ 80,438	
Unamortized Discount on Bonds	2,787,245	
Other Unadjusted Debits	1,629,937	
		<u>4,497,620</u>
		<u><u>\$1,713,565,416</u></u>

To the Shareholders,
Canadian Pacific Railway Company:

We have examined the above statement of assets as at December 31, 1949, the balance sheet, and other related schedules,

The records of the securities and other related schedules have been examined from such depositors as received from such depositors.

In our opinion the General Statement of Assets and Liabilities and other related schedules are properly prepared as at December 31, 1949, and are true and correct in all material respects in accordance with the best of our information and the

Montreal, March 10, 1950

GENERAL BALANCE SHEET, DECEMBER 31, 1949

LIABILITIES

Capital Stock:		
Ordinary Stock	\$335,000,000	
Preference Stock—4% Non-cumulative	137,256,921	
	<u> </u>	\$ 472,256,921
Perpetual 4% Consolidated Debenture Stock	\$311,945,729	
Less: Pledged as collateral to bonds and equipment obligations	16,507,500	
	<u> </u>	295,438,229
Funded Debt		79,373,000
Current Liabilities:		
Pay Rolls	\$ 8,117,505	
Audited Vouchers	14,769,474	
Net Traffic Balances	3,974,440	
Miscellaneous Accounts Payable	5,141,369	
Accrued Fixed Charges	651,677	
Unmatured Dividend Declared	1,741,565	
Other Current Liabilities	10,697,532	
	<u> </u>	45,093,562
Deferred Liabilities:		
Government of Canada Unemployment Relief	\$ 1,447,223	
Miscellaneous	2,938,789	
	<u> </u>	4,386,012
Reserves and Unadjusted Credits:		
Maintenance Reserves	\$ 17,850,000	
Depreciation Reserves	464,871,524	
Investment Reserves	3,498,643	
Insurance Reserve	13,188,540	
Contingent Reserves	4,118,819	
Unadjusted Credits	6,714,070	
	<u> </u>	510,241,596
Premium on Capital and Debenture Stock		34,458,562
Land Surplus		65,586,757
Profit and Loss Balance		206,730,777
		<u><u> </u></u>
		\$1,713,565,416

ERIC A. LESLIE, Vice-President and Comptroller

General Balance Sheet of the Canadian Pacific Railway Company
Income and Profit and Loss Accounts for the year ending on that date
and have compared them with the books and records of the Company.
Assets owned by the Company at December 31, 1949, were verified by
authorities which were in the custody of its Treasurer and by certificates
of authorities as were holding securities in safe custody for the Company.
General Balance Sheet, Income and Profit and Loss Accounts and the other
Accounts drawn up so as to present fairly the financial position of the Company
and the results of its operations for the year then ended, according to the
explanations given to us and as shown by the books of the Company.

PRICE, WATERHOUSE & CO. Chartered Accountants

CONTINGENT LIABILITIES

IN RESPECT OF SECURITIES OF LEASED RAILWAY COMPANIES:

	Rate	Principal Outstanding	Nature of Obligation
ATLANTIC AND NORTH-WEST RAILWAY COMPANY			
First Mortgage Redeemable Debenture Stock, maturing January 1, 1957.....	4%	£ 1,300,000	Guarantee of principal.
THE CALGARY AND EDMONTON RAILWAY COMPANY			
Consolidated Debenture Stock, terminable January 1, 2002	4%	£ 1,121,700	Guarantee and assumption of payment of principal upon expiry of lease (January 1, 2002) or in alternative, renewal of lease.
JOLIETTE AND BRANDON RAILWAY COMPANY			
First Mortgage Bonds, maturing January 1, 2000..	4%	\$ 125,000	Covenant in lease to pay principal upon maturity.
QUEBEC CENTRAL RAILWAY COMPANY			
Second Mortgage Debenture Stock, maturing January 1, 1963	3½%	£ 338,000	Guarantee of principal in favour of Trustees.
Third Mortgage Bonds, maturing January 1, 1963.	5%	£ 338,000	Guarantee of principal in favour of Trustees.

The interest on above obligations is included as part of Rent for Leased Roads in Fixed Charges.

OTHER:

AROOSTOOK VALLEY RAILROAD COMPANY

First and Refunding Mortgage Bonds, maturing July 1, 1961.....	4½%	£ 93,600	Guarantee of interest.
<i>Includes £77,600 held in Sinking Fund and £10,100 held in the Treasury.</i>			

MINNEAPOLIS, ST. PAUL & SAULT STE. MARIE RAILWAY COMPANY

(Predecessor of Minneapolis, St. Paul & Sault Ste. Marie Railroad Company.)

First Refunding Mortgage Bonds, Series "B", dated to mature July 1, 1978.....	5½%	\$ 1,535,970	Guarantee of interest.
--	-----	--------------	------------------------

Payable in United States currency.

CHANGES IN PROPERTY INVESTMENT

PROPERTY INVESTMENT DECEMBER 31, 1948.....	\$1,324,512,797
RAILWAY, ROLLING STOCK AND INLAND STEAMSHIPS:	
Additions and Betterments:	
Railway.....	\$ 7,797,797
Rolling Stock.....	44,621,571
	\$52,419,368
Retirements and Transfers.....Cr.	5,914,899
	\$46,504,469
IMPROVEMENTS ON LEASED PROPERTY:	
Additions and Betterments:	
Railway.....	\$ 3,550,594
Retirements and Transfers.....Cr.	1,086,042
	2,464,552
STOCKS AND BONDS — LEASED RAILWAY COMPANIES:	
Acquired: \$450,000 Capital Stock, The Alberta Central Ry. Co.; \$496,000 Capital Stock, The Ottawa, Northern and Western Ry. Co.; \$225,000 Capital Stock, The Vancouver and Lulu Island Ry. Co....	
	\$ 1,171,000
\$200,000 Capital Stock, The West Ontario Pacific Ry. Co.....	
	198,900
5 shares Capital Stock, The Alberta Railway and Irrigation Co.; 750 shares Capital Stock, The Columbia and Western Ry. Co.; \$3,000 First Mortgage Bonds, The Lake Champlain and St. Lawrence Jct. Ry. Co.; 375 shares Capital Stock, Massawippi Valley Ry. Co.....	
	48,865
Redeemed: \$250,000 Mortgage Bonds, The Alberta Central Ry. Co.; \$330,000 Mortgage Bonds, The Kootenay Central Ry. Co.; \$500,000 Mortgage Bonds, The Ottawa, Northern and Western Ry. Co.; \$225,000 Mortgage Bonds, The St. Mary's and Western Ontario Ry. Co.; \$200,000 First Mortgage Bonds, The Vancouver and Lulu Island Ry. Co.....Cr.	
	1,505,000
Net of Transfers and Adjustments.....	797,519
	711,284
OCEAN AND COASTAL STEAMSHIPS:	
Additions and Betterments:	
Ocean.....	\$ 1,550,897
Coastal.....	3,469,194
	\$ 5,020,091
Retirements.....Cr.	1,961,790
	3,058,301
HOTEL, COMMUNICATION AND MISCELLANEOUS PROPERTIES:	
Additions and Betterments:	
Hotels.....	\$ 69,691
Communications.....	1,670,949
Miscellaneous Properties.....	2,505,500
	\$ 4,246,140
Retirements and Transfers.....Cr.	251,293
	3,994,847
	56,733,453
PROPERTY INVESTMENT DECEMBER 31, 1949, as per Balance Sheet.....	\$1,381,246,250

STOCKS AND BONDS—Leased Railway Companies

	Rate	Par Value or Principal Amount
The Alberta Central Railway Company		
† Mortgage Bonds.....	4%	\$ 1,990,000
† Capital Stock.....		500,000
The Alberta Railway and Irrigation Company		
† Mortgage Bonds.....	4%	1,676,000
† Capital Stock.....		3,230,000
The Algoma Eastern Railway Company		
† Preferred Stock.....		1,000,000
† Common Stock.....		2,000,000
Aroostook River Railroad Company		
† Capital Stock.....		793,550
Atlantic and North-West Railway Company		
† First Mortgage Bonds, Eganville Branch.....	4%	302,400
† Capital Stock (Guaranteed).....	5%	3,240,000
† Common Stock.....		180,000
The British Columbia Southern Railway Company		
† First Mortgage Bonds.....	5%	1,175,000
† Capital Stock.....		172,200
The Calgary and Edmonton Railway Company		
† Mortgage Bonds.....	4%	7,440,000
† Capital Stock.....		1,000,000
The Campbellford, Lake Ontario & Western Railway Company		
† Mortgage Bonds.....	4%	11,895,000
† Capital Stock.....		125,000
The Columbia and Kootenay Railway and Navigation Company		
† First Mortgage Bonds.....	4%	1,277,500
† Capital Stock.....		250,000
The Columbia and Western Railway Company		
† First Mortgage Bonds.....	5%	5,691,000
† Capital Stock.....		1,000,000
The Dominion Atlantic Railway Company		
† First Refunding Mortgage Bonds.....	4%	7,307,000
† Preference Stock.....	5%	1,313,122
† Ordinary Stock.....		1,101,849
The Esquimalt and Nanaimo Railway Company		
† Mortgage Bonds.....	4%	7,165,000
† Capital Stock.....		2,500,000
The Fort William Terminal Railway and Bridge Company		
† Capital Stock.....		125,000
The Fredericton & Grand Lake Coal & Railway Company		
† First Mortgage Guaranteed Bonds.....	4%	465,000
† Capital Stock.....		140,000
The Georgian Bay and Seaboard Railway Company		
† Mortgage Bonds.....	4%	2,491,500
† Capital Stock.....		250,000
The Great North-West Central Railway Company		
† First Mortgage Bonds.....	5%	1,375,000
† Capital Stock.....		500,000
The Guelph and Goderich Railway Company		
† Mortgage Bonds.....	4%	2,415,000
† Capital Stock.....		125,000
The Interprovincial and James Bay Railway Company		
† Mortgage Bonds.....	5%	3,850,000
† Capital Stock.....		34,000
Carried forward.....		\$ 76,095,121

STOCKS AND BONDS—Leased Railway Companies—Continued

	Rate	Par Value or Principal Amount
Brought forward.....		\$ 76,095,121
Joliette and Brandon Railway Company		
† Capital Stock.....		300,000
The Kaslo and Slocan Railway Company		
† Mortgage Bonds.....	5%	231,000
† Capital Stock.....		1,000,000
The Kettle Valley Railway Company		
† Mortgage Bonds.....	4%	15,210,000
† Second Mortgage Bonds.....	4%	1,507,000
† Capital Stock.....		375,000
The Kingston and Pembroke Railway Company		
† Mortgage Bonds.....	4%	1,075,000
First Preferred Stock.....		995,450
Second Preferred Stock.....		138,250
Common Stock.....		2,045,900
The Kootenay Central Railway Company		
† Mortgage Bonds.....	4%	5,010,000
† Capital Stock.....		250,000
Lacombe and North Western Railway Company		
† Mortgage Bonds.....	4%	2,300,000
† Capital Stock.....		500,000
The Lake Champlain and St. Lawrence Junction Railway Company		
First Mortgage Bonds.....	4%	159,000
Capital Stock.....		175,000
The Lindsay, Bobcaygeon and Pontypool Railway Company		
† Capital Stock.....		200,000
Manitoba and North Western Railway Company of Canada		
† First Mortgage Bonds.....	5%	160,600
† First Mortgage Bonds.....	6%	2,628,000
† Mortgage Bonds.....	5%	12,196,000
† Permanent Debenture Stock.....	5%	613,200
† Preference Stock.....		415,000
Capital Stock.....		5,613,113
Manitoba South Western Colonization Railway Company		
First Mortgage Bonds.....	5%	2,614,000
† Capital Stock.....		700,000
Massawippi Valley Railway Company		
Capital Stock.....		544,100
The Midland Simcoe Railway Company		
† Capital Stock.....		250,000
The Montreal and Atlantic Railway Company		
† Mortgage Bonds.....	5%	1,425,000
Capital Stock.....		3,120,000
The Montreal and Ottawa Railway Company		
† First Mortgage Bonds.....	5%	1,636,250
Capital Stock.....		197,000
Nakusp & Slocan Railway Company		
† Mortgage Bonds.....	5%	1,211,750
† Capital Stock.....		300,000
The New Brunswick Southern Railway Company		
† Mortgage Bonds.....	4%	500,000
† Capital Stock.....		49,000
Carried forward.....		\$141,739,734

STOCKS AND BONDS—Leased Railway Companies—Concluded

	Rate	Par Value or Principal Amount
Brought forward.....		\$141,739,734
Newport and Richford Railroad Company		
† First Mortgage Bonds.....	4%	320,000
† Capital Stock.....		350,000
Nicola, Kamloops and Similkameen Coal and Railway Company		
† Mortgage Bonds.....	4%	1,175,000
† Capital Stock.....		250,000
Northern Colonization Railway Company		
† Mortgage Bonds.....	4%	1,118,000
† Capital Stock.....		300,000
Ontario and Quebec Railway Company		
Common Stock.....		111,900
Orford Mountain Railway Company		
† Mortgage Bonds.....	4%	152,000
† Capital Stock.....		501,000
The Ottawa, Northern and Western Railway Company		
† Mortgage Bonds.....	4%	2,575,000
† Capital Stock.....		1,300,000
The Saint John Bridge & Railway Extension Company		
† Debenture Bonds.....	5%	125,000
† Capital Stock.....		200,000
The St. Lawrence and Ottawa Railway Company		
Preference Stock.....		466,000
The St. Mary's and Western Ontario Railway Company		
† Mortgage Bonds.....	4%	131,500
† Capital Stock.....		250,000
The St. Maurice Valley Railway Company		
† Mortgage Bonds.....	4%	945,000
† Capital Stock.....		500,000
The Saskatchewan and Western Railway Company		
† First Mortgage Bonds.....	5%	181,040
† Capital Stock.....		232,500
The Shuswap and Okanagan Railway Company		
† Mortgage Bonds.....	4%	1,250,000
† Capital Stock.....		741,000
The South Ontario Pacific Railway Company		
† Mortgage Bonds.....	4%	495,000
† Capital Stock.....		200,000
Tilsonburg, Lake Erie and Pacific Railway Company		
† Mortgage Bonds.....	4%	1,067,500
† Capital Stock.....		400,000
Toronto, Grey and Bruce Railway Company		
Capital Stock.....		596,000
The Vancouver and Lulu Island Railway Company		
† First Mortgage Bonds.....	5%	255,000
† Capital Stock.....		250,000
The Walkerton and Lucknow Railway Company		
† Mortgage Bonds.....	4%	740,000
† Capital Stock.....		19,000
The West Ontario Pacific Railway Company		
† Capital Stock.....		221,000
Cost — \$134,883,654	Total.....	\$159,158,174

† Denotes complete ownership.

STOCKS AND BONDS—Controlled Companies

	Rate	Par Value or Principal Amount
The Alberta Stock Yards Company, Limited		
† Preferred Stock.....		\$ 350,000
† Common Stock.....		86,000
Aroostook Valley Railroad Company		
Capital Stock.....		240,000
Canadian Pacific Air Lines, Limited		
† Capital Stock—No Par Value—1,800,000 shares	Cost	9,000,000
Canadian Pacific Express Company		
† Capital Stock.....		3,000,000
Canadian Pacific Steamships, Limited		
† Capital Stock.....		43,800
Canadian Pacific Transport Company, Limited		
† Capital Stock.....		1,000,000
Central Terminal Railway Company		
† Capital Stock.....		2,000,000
The Consolidated Mining & Smelting Co. of Canada, Limited		
Capital Stock.....		8,412,500
Duluth, South Shore and Atlantic Railroad Company		
† Common Stock—No Par Value—210,000 shares	Cost	9,430,936
First Mortgage Income Bonds.....	4%	4,144,200
Eastern Abattoirs Limited		
† Capital Stock.....		5,700
The Grand River Railway Company		
† Mortgage Bonds.....	4%	426,000
† Capital Stock.....		125,000
Island Freight Service Limited		
† Capital Stock.....		100,000
The Lake Erie and Northern Railway Company		
† Consolidated Mortgage Bonds.....	4%	2,317,500
Capital Stock.....		1,403,725
Lethbridge Collieries, Limited		
Capital Stock.....		901,250
The Mersey Towing Company Limited		
† Capital Stock.....		165,905
Midland Simcoe Elevator Company, Limited		
Capital Stock.....		392,000
Minneapolis, St. Paul & Sault Ste. Marie Railroad Company		
General Mortgage Income Bonds.....	4%	3,324,900
Common Stock—No Par Value—360,053 shares	Cost	16,174,348
The New Brunswick Cold Storage Company, Limited		
† Cumulative Preference Stock.....		25,000
† Ordinary Stock.....		50,000
Carried forward.....		\$ 63,118,764

STOCKS AND BONDS—Controlled Companies—Concluded

	Rate	Par Value or Principal Amount
Brought forward.....		\$ 63,118,764
Quebec Central Transportation Company		
† Capital Stock.....		42,000
Sault Ste. Marie Bridge Company		
Capital Stock.....		500,000
The Scottish Trust Company		
† Capital Stock.....		250,000
Seigniory Club Community Association, Limited		
† Capital Stock—No Par Value—10,000 shares...	Cost	500,000
Vancouver Island Transportation Company Limited		
First Mortgage Debentures.....	4%	98,250
Capital Stock.....		334,200
Other Companies.....	Cost	920,801
Cost, \$71,923,324—Total.....		<u>\$ 65,764,015</u>

† Denotes complete ownership.

MISCELLANEOUS INVESTMENTS

	Rate	Par Value or Principal Amount
Canadian Australasian Line Limited		
Capital Stock.....		\$ 2,433,300
The Canadian Pacific Car & Passenger Transfer Company, Limited		
Capital Stock.....		200,000
Northern Alberta Railways Company		
First Mortgage Bonds.....	4%	10,627,500
Capital Stock.....		6,250,000
The Pennsylvania-Ontario Transportation Company		
Capital Stock.....		187,500
The Public Markets, Limited		
Capital Stock.....		575,000
The Toronto, Hamilton and Buffalo Railway Company		
Capital Stock.....		1,469,500
The Toronto Terminals Railway Company		
First Mortgage Bonds.....	5%	12,955,000
Capital Stock.....		250,000
Vancouver Hotel Company Limited		
Capital Stock.....		75,000
Wisconsin Central Railway Company		
First and Refunding Mortgage Bonds.....	5%	8,622,839
Other Investments.....	Cost	4,662,247
Cost, \$47,157,050—Total.....		<u>\$ 48,307,886</u>

CAPITAL AND DEBENTURE STOCKS

	<i>Total as per Balance Sheet</i>			
ORDINARY STOCK:				
Issued: 13,400,000 shares—\$25 Par Value				<u>\$335,000,000</u>
PREFERENCE STOCK—4% NON-CUMULATIVE:				
Issued: £28,203,477—in amounts of £1 and multiples thereof				<u>\$137,256,921</u>
PERPETUAL 4% CONSOLIDATED DEBENTURE STOCK:				
	Sterling	United States Currency	Canadian Currency	
Issued	£ 47,350,321	\$ 72,837,500	\$ 8,670,000	\$311,945,729
Less: Pledged as collateral	—	7,837,500	8,670,000	16,507,500
	<u>£ 47,350,321</u>	<u>\$ 65,000,000</u>	—	<u>\$295,438,229</u>

FUNDED DEBT

EQUIPMENT OBLIGATIONS:

	Rate	Date of Issue	Date of Maturity	Currency in which Payable	Principal Outstanding
*Equipment Trust Series "D"	{ 3% 2½%	Feb. 1, 1937 Feb. 1, 1937	Serially to Jan. 31, 1952	Canadian United States	\$ 1,340,000 1,340,000
Equipment Trust Series "E"	3%	June 1, 1938	Serially to May 31, 1953	Canadian	3,168,000
Equipment Trust Series "F" (Refunding)	1¾%	Feb. 1, 1946	Serially to Feb. 1, 1953	United States	6,300,000
Equipment Trust Series "G" (Refunding)	1½%	June 1, 1946	Serially to Dec. 1, 1953	United States	10,400,000
Equipment Trust Series "H"	2%	Oct. 1, 1945	Serially to Oct. 1, 1955	United States	12,000,000
Equipment Trust Series "J"	2%	Jan. 2, 1948	Serially to Dec. 31, 1957	Canadian	16,000,000
Equipment Trust Series "K"	2¾%	Nov. 1, 1948	Serially to Oct. 31, 1958	Canadian	15,300,000

**COLLATERAL TRUST BONDS:

Convertible Fifteen Year Bonds . . . (Conversion privilege has terminated)	3½%	Feb. 15, 1936	Feb. 15, 1951	Canadian	6,400,000
Thirty Year Bonds	3½%	Nov. 1, 1944	Nov. 1, 1974	United States	7,125,000
				Total	<u>\$ 79,373,000</u>

*Secured in part by pledge of Perpetual 4% Consolidated Debenture Stock aggregating, in principal amount, \$670,000.

**Secured by pledge of Perpetual 4% Consolidated Debenture Stock aggregating, in principal amount, \$15,837,500.

DEPRECIATION RESERVES

	Balance December 31, 1948	Additions	Deductions	Balance December 31, 1949
Road.....	\$ 157,477,840	\$ 8,411,799	\$ 1,307,904	\$ 164,581,735
Rolling Stock.....	204,797,038	17,647,792	2,486,743	219,958,087
Steamship.....	33,565,632	2,464,107	2,012,104	34,017,635
Hotel and Other.....	44,010,598	2,781,384	477,915	46,314,067
	<u>\$ 439,851,108</u>	<u>\$ 31,305,082</u>	<u>\$ 6,284,666</u>	<u>\$ 464,871,524</u>

LAND SURPLUS ACCOUNT

Land Surplus December 31, 1948.....		\$ 63,116,505
Land and townsite sales.....	\$ 2,965,035	
Miscellaneous earnings.....	2,369,750	
		<u>5,334,785</u>
		\$ 68,451,290
DEDUCT:		
Land and irrigation expenses.....	\$ 535,786	
Property and income taxes.....	994,497	
Inventory value of lands sold.....	1,138,125	
Land contracts cancelled.....	\$ 396,609	
Less: Inventory value of lands reacquired.....	<u>181,336</u>	
		215,273
Miscellaneous adjustments—Cr.....		<u>19,148</u>
		2,864,533
Land Surplus December 31, 1949, as per Balance Sheet.....		<u>\$ 65,586,757</u>

GROSS EARNINGS

Freight.....	\$293,248,589
Passenger.....	38,203,597
Mail.....	4,283,654
Express.....	8,210,065
Sleeping, Parlour and Dining Car and Miscellaneous.....	19,306,189
Total.....	<u>\$363,252,094</u>

WORKING EXPENSES

Maintenance of Way and Structures.....	\$ 70,872,355
Maintenance of Equipment.....	75,653,176
Traffic.....	8,179,977
Transportation.....	153,961,543
Miscellaneous Operations.....	7,582,779
General.....	17,396,562
Railway Tax Accruals.....	6,615,460
Hire of Equipment (Net).....	1,336,025
Joint Facility Rents (Net).....	1,022,248
Total.....	<u>\$342,620,125</u>

OTHER INCOME

Net earnings from ocean and coastal steamships.....	\$ 2,277,589
Net earnings from hotel, communication and miscellaneous properties.....	2,316,888
Dividends.....	17,012,357
Net income from interest, exchange, separately operated properties and miscellaneous sources.....	4,429,819
	<u>\$ 26,036,653</u>
Provision for income taxes on other income.....	2,400,000
Total.....	<u>\$ 23,636,653</u>

FIXED CHARGES

RENT FOR LEASED ROADS:

The Alberta Railway and Irrigation Company.....	\$	1,200	
Atlantic and North-West Railway.....		185,315	
The Calgary and Edmonton Railway.....		159,898	
The Dominion Atlantic Railway.....		22,500	
The Fredericton & Grand Lake Coal & Railway.....		71,666	
The Glengarry and Stormont Railway.....		60,682	
The Guelph Junction Railway.....		56,726	
Joliette and Brandon Railway.....		5,000	
The Lindsay, Bobcaygeon and Pontypool Railway.....		20,000	
Massawippi Valley Railway.....		17,285	
The Montreal and Atlantic Railway.....		8,800	
New Brunswick Railway System.....		303,958	
Ontario and Quebec Railway.....		913,940	
Quebec Central Railway.....		429,332	
The St. Lawrence and Ottawa Railway.....		28,193	
The St. Stephen and Milltown Railway.....		2,050	
The Southampton Railway.....		2,127	
Tobique Railway.....		13,369	
The Toronto, Hamilton and Buffalo Railway.....		14,939	
The Winnipeg River Railway.....		1	
		<u>1</u>	\$ 2,316,981

INTEREST ON DEBENTURE STOCK AND FUNDED DEBT:

Perpetual 4% Consolidated Debenture Stock.....	\$9,486,288	
Equipment Obligations.....	1,510,549	
Convertible Fifteen Year 4% Collateral Trust Bonds.....	215,173	
Convertible Fifteen Year 3½% Collateral Trust Bonds.....	224,000	
Thirty Year 3½% Collateral Trust Bonds.....	266,831	
	<u>11,702,841</u>	

GUARANTEED INTEREST:

Minneapolis, St. Paul & Sault Ste. Marie Railway Company Bonds...	60,940
---	--------

INTEREST ON UNFUNDED DEBT.....	10,201
--------------------------------	--------

AMORTIZATION OF DISCOUNT ON FUNDED DEBT.....	452,854
--	---------

Total.....	<u>\$14,543,817</u>
------------	---------------------

MILEAGE

	Miles Operated
CANADIAN PACIFIC RAILWAY:	
Eastern Region	
New Brunswick District.....	841.3
Quebec District.....	1,631.2
Ontario District.....	1,423.7
Algoma District.....	1,219.7
Dominion Atlantic Lines.....	304.1
Quebec Central Lines.....	356.5
Prairie Region	
Manitoba District.....	2,514.2
Saskatchewan District.....	3,627.7
Alberta District.....	3,107.2
Pacific Region	
British Columbia District.....	1,993.7
	<hr/> 17,019.3
CANADIAN PACIFIC ELECTRIC LINES.....	69.1
CONTROLLED RAILWAY COMPANIES:	
Aroostook Valley Railroad.....	31.9
Minneapolis, St. Paul & Sault Ste. Marie Railroad.....	3,223.9
Duluth, South Shore and Atlantic Railroad.....	539.3
	<hr/> 3,795.1
Total.....	<u><u>20,883.5</u></u>

ROLLING STOCK (Owned and Leased not including Electric Lines)

MOTIVE POWER:	
Steam Locomotives.....	1,722
Diesel-electric units.....	132
	<hr/> 1,854
FREIGHT TRAIN CARS:	
Box, Stock and Flat.....	62,848
Refrigerator, Tank and Open-Top.....	14,311
Conductors' Vans.....	1,372
	<hr/> 78,531
PASSENGER TRAIN CARS:	
Coach and Tourist Sleeping.....	1,347
Parlour, Standard Sleeping and Dining.....	480
Baggage, Mail and Express.....	882
	<hr/> 2,709*
BOARDING, TOOL AND OTHER WORK CARS.....	5,849
*Includes 20 cars in Toronto, Hamilton and Buffalo Line Service in which the Company owns 36.04% interest.	

INLAND STEAMSHIPS

Assiniboia	Keewatin	Minto	Okanagan
Columbia	Kelowna	Moyie	Rosebery
Granthall	Manitoba	Naramata	
Gross Tonnage.....			
12,819			

HOTELS

The Digby Pines, Digby, N.S.
 Cornwallis Inn, Kentville, N.S.
 The Lakeside Inn, Yarmouth, N.S.
 Algonquin, St. Andrews, N.B.
 McAdam, McAdam, N.B.
 Chateau Frontenac, Quebec, Que.
 Royal York, Toronto, Ont.

Royal Alexandra, Winnipeg, Man.
 Saskatchewan, Regina, Sask.
 Palliser, Calgary, Alta.
 Banff Springs, Banff, Alta.
 Chateau Lake Louise, Lake Louise, Alta.
 Emerald Lake, Emerald Lake, B.C.
 Empress, Victoria, B.C.

Hotel Vancouver —

Operated by the Vancouver Hotel Company Limited on behalf of the Canadian National and Canadian Pacific Railways.

OCEAN STEAMSHIPS

Beaverbrae	Beaverburn	Beavercove	Beaverdell
Beaverford	Beaverglen	Beaverlake	
Empress of Australia	Empress of Canada	Empress of France	Empress of Scotland
Gross Tonnage			156,801

COASTAL STEAMSHIPS

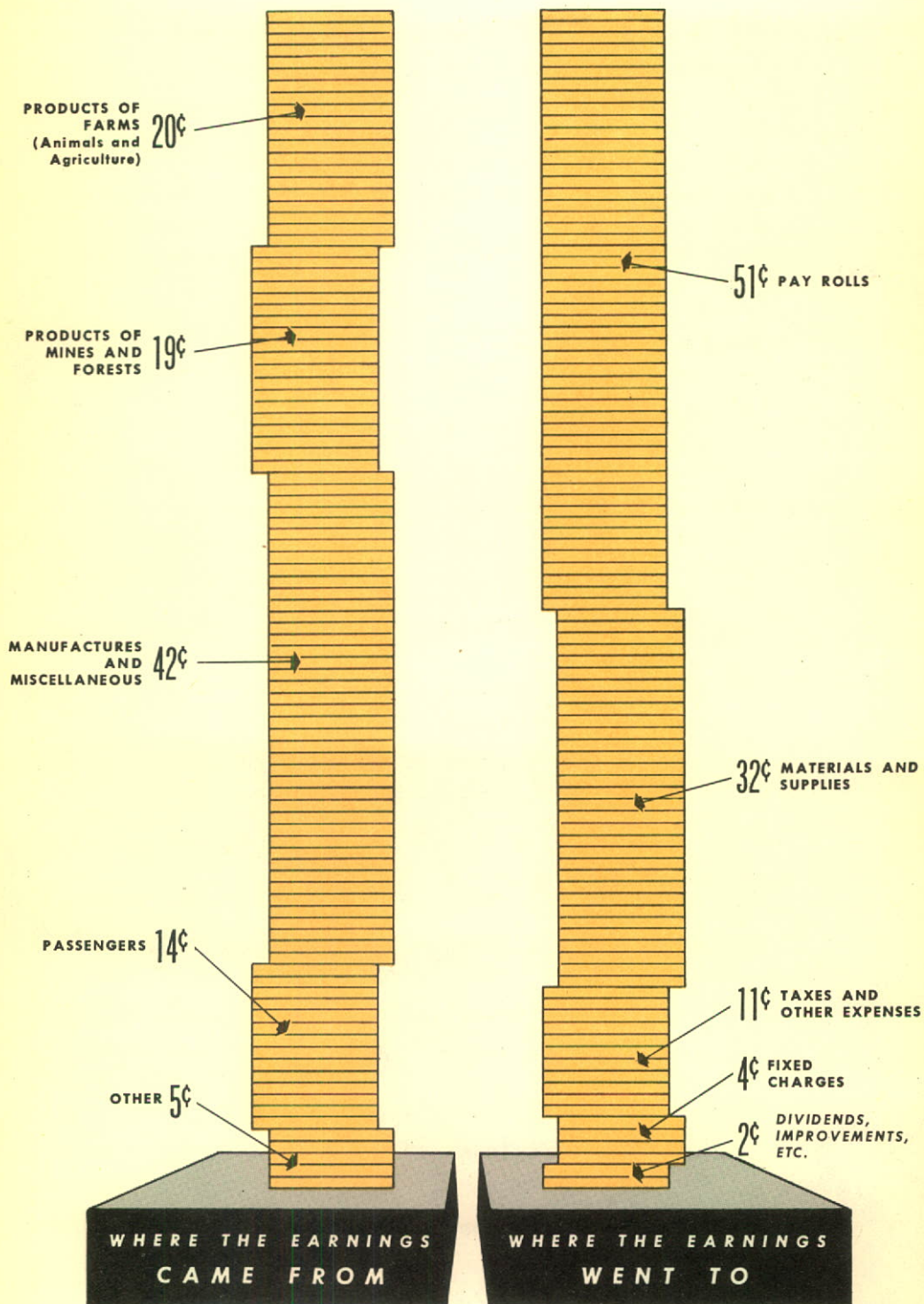
Kyuquot	Motor Princess	Nootka	Princess Elaine
Princess Elizabeth	Princess Helene	Princess Joan	Princess Kathleen
Princess Louise	Princess Maquinna	Princess Marguerite	Princess Mary
Princess Norah	Princess Patricia	Princess Victoria	Prospect Point No. 1
Transfer No. 3	Transfer No. 7	Transfer No. 8	Transfer No. 9

Gross Tonnage:

In service	57,159
Under construction	6,000
Total	63,159

THE RAILWAY DOLLAR

1 9 4 9



SUMMARY

OF

OPERATIONS

FOR

THE YEARS

1920-1949

Year	Average Miles of Road Operated	Gross Earnings	Working Expenses
1920	12,993.8	\$216,641,350	\$183,488,305
1921	12,991.8	193,021,854	158,820,114
1922	13,093.2	186,675,036	150,373,345
1923	13,123.4	195,837,090	158,358,080
1924	13,355.5	182,502,156	145,274,914
1925	13,678.4	183,356,006	143,201,230
1926	13,863.1	198,025,592	153,080,465
1927	14,073.8	201,145,751	161,630,180
1928	14,292.8	229,039,296	177,344,845
1929	14,563.4	209,730,955	166,586,411
1930	14,889.1	180,900,804	142,652,146
1931	15,635.7	142,337,648	116,654,776
1932	16,888.0	123,936,714	103,846,729
1933	17,030.1	114,269,688	93,407,582
1934	17,015.0	125,542,955	101,158,932
1935	17,221.6	129,678,905	107,281,381
1936	17,240.9	138,562,763	115,251,652
1937	17,222.7	145,085,558	121,343,311
1938	17,186.0	142,258,981	121,506,515
1939	17,175.9	151,280,700	122,756,881
1940	17,158.7	170,964,897	135,325,459
1941	17,150.6	221,446,053	175,488,517
1942	17,076.9	256,864,091	208,676,402
1943	17,034.6	297,107,791	247,896,224
1944	17,029.9	318,871,034	275,711,370
1945	17,029.2	316,109,358	280,055,024
1946	17,036.9	292,495,828	271,652,778
1947	17,034.7	318,585,919	295,693,730
1948	17,032.7	355,249,702	336,830,536
1949	17,031.2	363,252,094	342,620,125

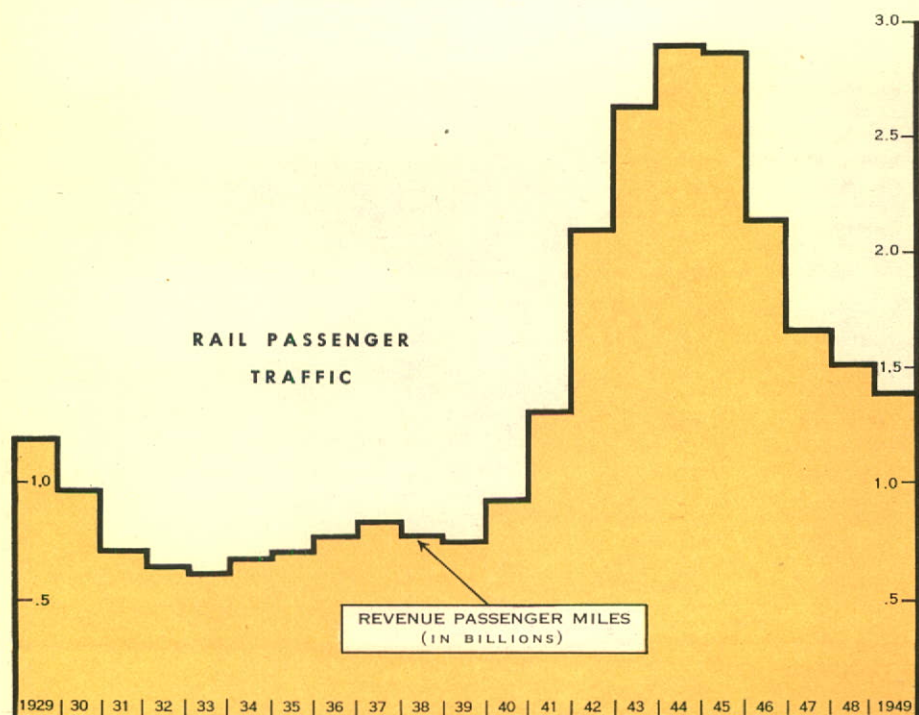
Net Earnings	Ratio of Net to Gross Earnings	Other Income	Income before Fixed Charges	Fixed Charges	Dividends Declared on Capital Stock	
					Preference	Ordinary
\$33,153,045	15.3	\$10,966,448	\$44,119,493	\$10,775,409	\$3,227,277	\$26,000,000
34,201,740	17.7	10,987,199	45,188,939	11,519,072	3,227,277	26,000,000
36,301,691	19.4	11,092,355	47,394,046	13,348,906	3,227,277	26,000,000
37,479,010	19.1	11,391,052	48,870,062	13,470,653	3,675,010	26,000,000
37,227,242	20.4	9,971,252	47,198,494	14,070,287	3,993,341	26,000,000
40,154,776	21.9	11,357,375	51,512,151	14,438,517	4,005,944	26,000,000
44,945,127	22.7	11,056,271	56,001,398	14,676,359	4,005,944	26,000,000
39,515,571	19.6	11,876,560	51,392,131	15,378,867	4,005,944	26,000,000
51,694,451	22.6	12,677,684	64,372,135	15,308,698	4,067,547	29,353,633
43,144,544	20.6	15,232,220	58,376,764	16,149,003	4,674,790	30,750,000
38,248,658	21.1	20,042,923	58,291,581	19,159,865	5,005,623	33,242,907
25,682,872	18.0	10,951,964	36,634,836	22,050,364	5,410,697	16,750,000
20,089,985	16.2	4,537,426	24,627,411	23,619,530	2,745,138	—
20,862,106	18.3	6,222,481	27,084,587	24,388,615	—	—
24,384,023	19.4	6,663,793	31,047,816	24,578,025	—	—
22,397,524	17.3	4,594,498	26,992,022	24,159,938	—	—
23,311,111	16.8	6,631,371	29,942,482	23,913,298	1,372,569	—
23,742,247	16.4	11,629,711	35,371,958	25,909,674	2,745,138	—
20,752,466	14.6	7,363,673	28,116,139	26,853,757	—	—
28,523,819	18.9	6,764,852	35,288,671	25,506,523	—	—
35,639,438	20.8	10,692,163	46,331,601	26,186,545	5,042,782	—
45,957,536	20.8	13,382,059	59,339,595	24,978,163	5,042,782	—
48,187,689	18.8	15,861,034	64,048,723	23,694,456	5,042,782	—
49,211,567	16.6	16,270,751	65,482,318	22,499,600	5,042,782	6,700,000
43,159,664	13.5	12,371,315	55,530,979	20,831,149	5,042,782	16,750,000
36,054,334	11.4	15,106,957	51,161,291	19,547,129	5,031,500	16,750,000
20,843,050	7.1	22,779,794	43,622,844	18,488,113	4,557,682	16,750,000
22,892,189	7.2	24,788,927	47,681,116	15,787,174	4,557,682	16,750,000
18,419,166	5.2	24,864,949	43,284,115	15,890,264	4,557,682	16,750,000
20,631,969	5.7	23,636,653	44,268,622	14,543,817	3,872,768	16,750,000

TRANSPORTATION AND TRAFFIC STATISTICS

	Year 1949	Year 1948	Increase or Amount or Number	Decrease Per Cent.
FREIGHT TRAFFIC—RAIL				
Freight revenue \$	292,082,977	285,904,350	6,178,627	2.2
Tons—Revenue freight	56,445,684	60,036,833	3,591,149	6.0
Tons—All freight	64,241,946	68,751,488	4,509,542	6.6
Ton miles—Revenue freight	24,260,588,000	25,218,400,000	957,812,000	3.8
Ton miles—All freight.	26,709,152,000	27,461,692,000	752,540,000	2.7
Averages per Mile of Road				
Freight revenue \$	17,150	16,786	364	2.2
Train miles	2,092	2,110	18	.8
Total freight train car miles	77,601	76,961	640	.8
Ton miles—Revenue freight	1,424,479	1,480,587	56,108	3.8
Ton miles—All freight.	1,568,248	1,612,292	44,044	2.7
Averages per Train Mile				
Freight revenue \$	8.20	7.96	0.24	3.0
Loaded freight car miles	24.4	24.6	.2	.8
Empty freight car miles	11.6	10.7	.9	8.4
Car miles—All classes	37.2	36.6	.6	1.6
Ton miles—Revenue freight	680.8	701.7	20.9	3.0
Ton miles—All freight.	749.5	764.1	14.6	1.9
Gross ton miles	1,604.7	1,600.8	3.9	.2
Averages per Loaded Car Mile				
Freight revenue ‡	33.5	32.2	1.3	4.0
Ton miles—All freight.	30.7	31.0	.3	1.0
Miscellaneous Averages				
Revenue per ton of freight \$	5.17	4.76	0.41	8.6
Revenue per ton mile of freight. . . ‡	1.20	1.13	0.07	6.2
Miles hauled—Revenue freight	429.8	420.0	9.8	2.3
Miles hauled—All freight	415.8	399.4	16.4	4.1
Classification of Revenue Tonnage Carried				
Products of Agriculture	13,595,030	13,515,251	79,779	.6
Animals and Animal Products.	940,579	1,139,223	198,644	17.4
Products of Mines	20,758,357	22,234,211	1,475,854	6.6
Products of Forests.	5,582,735	6,843,240	1,260,505	18.4
Manufactures and Miscellaneous	14,180,275	14,709,428	529,153	3.6
Total Carload Traffic.	55,056,976	58,441,353	3,384,377	5.8
All less carload freight	1,388,708	1,595,480	206,772	13.0
Total Carload and L.C.L. Traffic	56,445,684	60,036,833	3,591,149	6.0

TRANSPORTATION AND TRAFFIC STATISTICS—Continued

	Year 1949	Year 1948	Increase or Decrease	
			Amount or Number	Per Cent.
PASSENGER TRAFFIC—RAIL				
Passenger revenue \$	37,786,760	37,848,138	61,378	.2
Passenger service train revenue . . . \$	56,294,146	54,851,081	1,443,065	2.6
Revenue passengers carried	11,969,457	13,629,044	1,659,587	12.2
Revenue passenger miles	1,389,395,000	1,523,514,000	134,119,000	8.8
Averages per Mile of Road				
Passenger revenue \$	2,219	2,222	3	.2
Passenger service train revenue . . . \$	3,305	3,220	85	2.6
Train miles	1,181	1,186	5	.4
Total passenger train car miles . . .	10,377	10,527	150	1.4
Revenue passenger miles	81,579	89,446	7,867	8.8
Averages per Train Mile				
Passenger revenue \$	1.88	1.87	0.01	.5
Passenger service train revenue . . . \$	2.80	2.71	0.09	3.3
Car miles—All classes	8.6	8.7	.1	1.1
Revenue passenger miles	69.1	75.4	6.3	8.4
Gross ton miles	613.1	619.9	6.8	1.1
Averages per Car Mile—Passenger				
Passenger revenue †	34.4	33.4	1.0	3.0
Revenue passenger miles	12.6	13.4	.8	6.0
Miscellaneous Averages				
Revenue per passenger \$	3.16	2.78	0.38	13.7
Revenue per passenger mile †	2.72	2.48	0.24	9.7
Miles carried—Revenue passengers . .	116.1	111.8	4.3	3.8



TRANSPORTATION AND TRAFFIC STATISTICS—Concluded

	Year 1949	Year 1948	Increase or Amount or Number	Decrease Per Cent.						
Average Miles of Road Operated . . .	17,031.2	17,032.7	1.5	—						
TRAIN MILEAGE										
Freight Service	35,636,927	35,938,752	301,825	.8						
Passenger Service	20,117,297	20,204,687	87,390	.4						
Total Transportation Service	55,754,224	56,143,439	389,215	.7						
LOCOMOTIVE MILEAGE										
Freight Service	40,015,227	40,681,745	666,518	1.6						
Passenger Service	20,863,005	20,925,008	62,003	15,050,728	15,722,154	671,426	4.3			
Total Transportation Service	75,928,960	77,328,907	1,399,947	1.8						
CAR MILEAGE										
Freight										
Loaded	870,820,265	886,526,014	15,705,749	1.8						
Empty	413,608,211	386,629,400	26,978,811	7.0						
Caboose	37,215,780	37,691,260	475,480	1.3						
Total	1,321,644,256	1,310,846,674	10,797,582	.8						
Passenger										
Coaches	46,156,985	49,005,190	2,848,205	5.8						
Sleeping, Parlour and Observation . . .	55,094,827	55,615,072	520,245	8,615,535	8,666,925	51,390	66,866,975	66,009,053	857,922	1.3
Total	176,734,322	179,296,240	2,561,918	1.4						
Total Transportation Service	1,498,378,578	1,490,142,914	8,235,664	.6						
GROSS TON MILEAGE										
Freight Service—Cars and Contents . .	57,185,084,000	57,529,953,000	344,869,000	12,333,701,000	12,524,455,000	190,754,000	1.5			
Total Transportation Service	69,518,785,000	70,054,408,000	535,623,000	.8						
TOTAL TRAFFIC—RAIL										
Averages per Mile of Road										
Train miles	3,274	3,296	22	87,978	87,487	491	21,234	20,758	476	2.3
Operating expenses \$	19,509	19,073	436	2.3						
Net operating revenue \$	1,725	1,685	40	2.4						
Averages per Train Mile										
Operating revenues \$	6.49	6.30	0.19	3.0						
Operating expenses \$	5.96	5.79	0.17	2.9						
Net operating revenue \$	0.53	0.51	0.02	3.9						
TOTAL TRAFFIC— RAIL AND INLAND WATER LINES										
Operating revenues \$	363,252,094	355,249,702	8,002,392	2.3						
Operating expenses \$	333,646,392	326,178,356	7,468,036	2.3						
Net operating revenue \$	29,605,702	29,071,346	534,356	1.8						
Tax accruals, net of hire of equipment and joint facility rents \$	8,973,733	10,652,180	1,678,447	15.8						
Net earnings \$	20,631,969	18,419,166	2,212,803	12.0						
Per cent. operating expenses to operating revenues	91.85	91.82	.03	—						
Payroll charged operating expenses. \$	184,870,924	181,047,340	3,823,584	2.1						
Per cent. payroll to operating revenues	50.89	50.96	.07	55.41	55.51	.10	<p>40</p>			



In 1949 Canadian Pacific four-engined air Empresses entered regular Trans-Pacific service:
Canada - Hawaii - Australia; Canada - Japan - China.

