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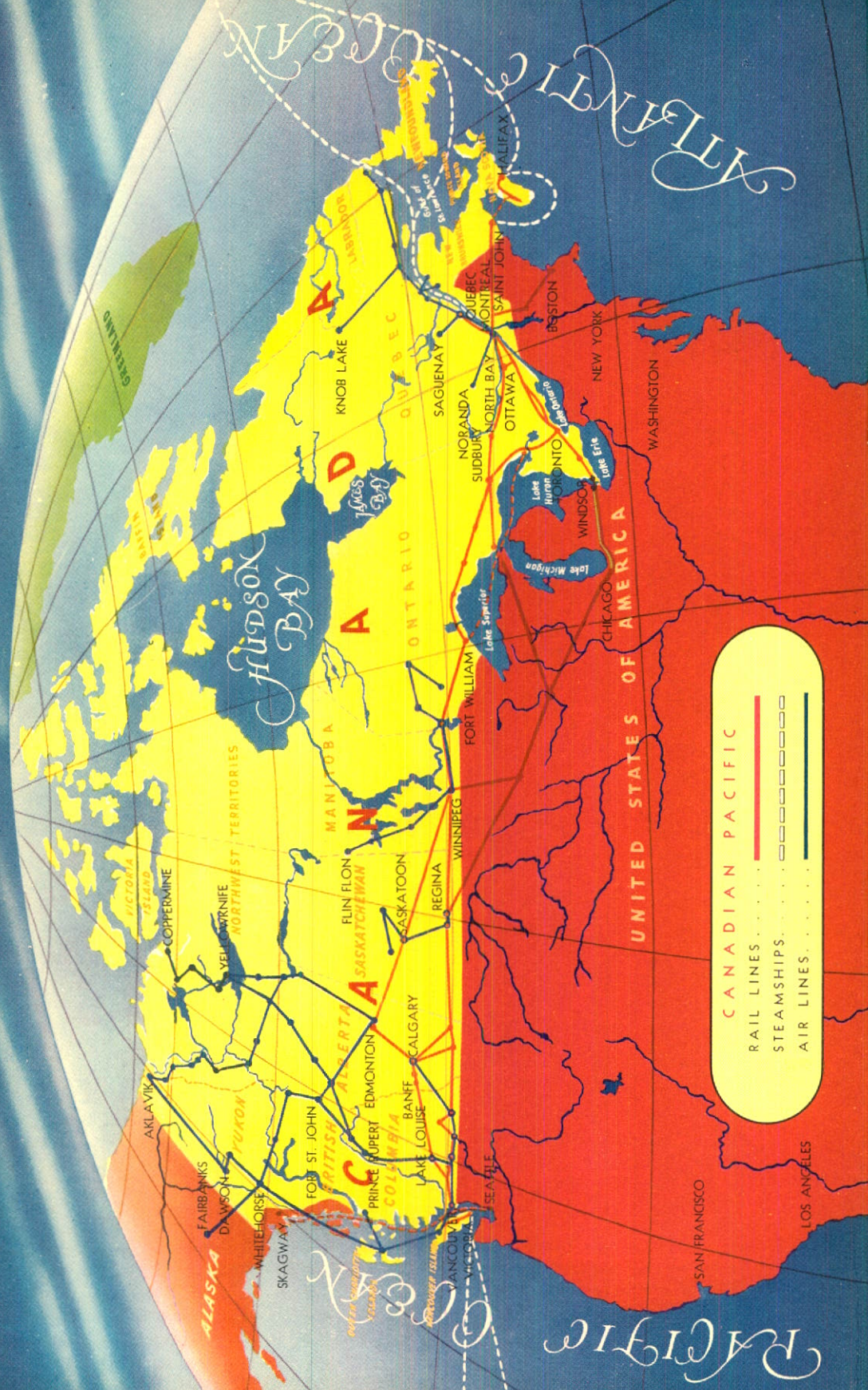


ANNUAL REPORT

1948

CANADIAN
PACIFIC
RAILWAY
COMPANY

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ATLANTIC OCEAN

Hudson Bay

PACIFIC OCEAN

CANADIAN PACIFIC

RAIL LINES

STEAMSHIPS

AIR LINES

ALASKA
FAIRBANKS
DANSON
WHITEHORSE
SKAGWAY
AKLAVIK
VICTORIA ISLAND
COPPERMINE
YELWATERNIFE
NORTHWEST TERRITORIES
BRITISH COLUMBIA
YUKON
FOOT ST. JOHN
PRINCE RUPERT
EDMONTON
SASKATCHEWAN
FLIN FLON
SASKATOON
REGINA
WINSNIPEG
FORT WILLIAM
CHICAGO
WASHINGTON
NEW YORK
BOSTON
KNOB LAKE
SAGUENAY
NORANDA
SUBBUCK
NORTH BAY
OTTAWA
WINDSOR
TORONTO
LAKES HURON
LAKES MICHIGAN
LAKES SUPERIOR
LAKES ERIE
ALBERTA
SASKATCHEWAN
MANITOBA
ONTARIO
QUEBEC
MONTREAL
QUEBEC
SAINT JOHN
HALIFAX
VANCOUVER
SEATTLE
VICTORIA
SAN FRANCISCO
LOS ANGELES

CANADIAN
PACIFIC
RAILWAY
COMPANY

Notice to Shareholders

The Sixty-eighth 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 fourth 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 twelfth day of April, 1949. The Preference Stock Books will be closed in London at the same time.

All books will be re-opened on Thursday, the fifth day of May, 1949.

By order of the Board,

F. BRAMLEY, *Secretary.*

MONTREAL, MARCH 14, 1949.

Board of Directors

The Rt. Hon. Sir John Anderson,
P.C., G.C.B., G.C.S.I., G.C.I.E., M.P.,
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
President
Vice-President
Executive Assistant to the President
Secretary
Deputy Secretary and Registrar of Transfers

G. A. Walker, K.C., Montreal
W. A. Mather, Montreal
Ross H. McMaster, Montreal
A. C. MacDonald, Montreal
F. Bramley, Montreal
R. F. Tremayne, 8 Waterloo Place,
London, S. W. 1, England

LAW DEPARTMENT

Vice-President and General Counsel
General Solicitor

F. C. S. Evans, K.C., Montreal
J. Q. Maunsell, K.C., Montreal

OPERATING DEPARTMENT

Vice-President
Vice-President, Eastern Region
General Manager, Eastern Region
Vice-President, Prairie Region
General Manager, Prairie Region
Vice-President, Pacific Region
Chief Engineer
Chief of Motive Power and Rolling Stock
General Superintendent of Transportation

N. R. Crump, Montreal
D. S. Thomson, Toronto
G. N. Curley, Toronto
W. Manson, Winnipeg
J. I. MacKay, Winnipeg
G. H. Baillie, Vancouver
J. E. Armstrong, Montreal
H. B. Bowen, C.B.E., Montreal
R. E. Taylor, Montreal

FINANCIAL DEPARTMENT

Vice-President
Treasurer

L. B. Unwin, Montreal
J. A. Dundas, Montreal

ACCOUNTING DEPARTMENT

Vice-President and Comptroller
Assistant Comptroller
Assistant Comptroller

Eric A. Leslie, Montreal
S. J. W. Liddy, Montreal
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

G. A. MacNamara, Montreal
C. E. Jefferson, Montreal
G. Hiam, Montreal
H. W. Gillis, Montreal
G. F. Buckingham, Winnipeg
G. C. Dew, Montreal
R. G. McNeillie, 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

DEPARTMENT OF RESEARCH

Manager

W. A. Newman, C.B.E., 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 . . .

	1948	1947
Gross Earnings	\$355,249,702	\$318,585,919
Working Expenses	336,830,536	295,693,730
Net Earnings	18,419,166	22,892,189
Ratio, Net to Gross Earnings	5.2%	7.2%
Other Income	\$ 24,864,949	\$ 24,788,927
Interest and Rental Charges	15,890,264	15,787,174
Preference Stock Dividends—4%	4,557,682	4,557,682
Ordinary Stock Dividends—5%	16,750,000	16,750,000
Balance for Modernization and Other Corporate Purposes	6,086,169	10,586,260
Tons of Revenue Freight Carried One Mile (thousands)	25,218,400	26,201,731
Revenue per Ton Mile of Freight	1.13¢	0.95¢
Revenue Passengers Carried One Mile (thousands)	1,523,514	1,665,585
Revenue per Passenger Mile	2.48¢	2.40¢
Total Pay Rolls	\$229,969,419	\$193,960,029
Employees, All Services	86,578	83,528
Average Annual Wage	\$2,656	\$2,322

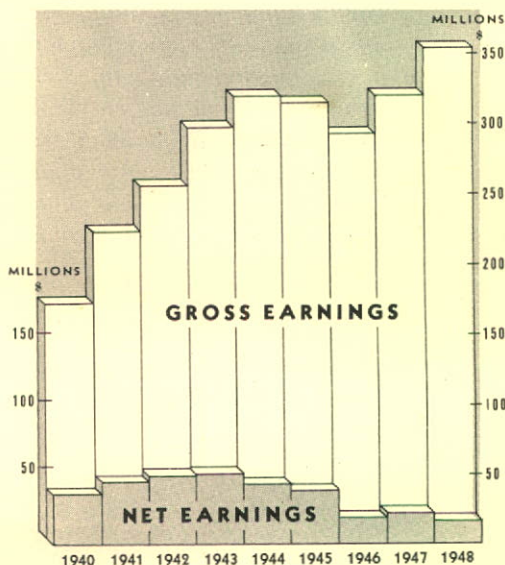
Sixty-eighth Annual Report

OF THE DIRECTORS

to the Shareholders:

The high and profitable level of industrial activity which prevailed during 1948, with good crops in the West and a condition of almost full employment throughout Canada should have assured to your Company fair returns from its rail operations.

On the contrary, while gross earnings at \$355 million reached a new peak, net earnings were lower than those of any year since 1905. The reason is found in uncontrollable costs on the one hand and rigidly regulated rates and revenues on the other. The graph shown below illustrates the marked divergence in the trends of gross and net earnings in the years 1940-48.



The rate of return on the net investment of your Company in railway property in 1948 was 1.8%. In the same year, on a comparable basis, the average rate of return earned by Class I railroads of the United States was 4.38%.

An increase of 21% in Canadian class and commodity rates, with certain exceptions, over the level prevailing since 1922 was made effective April 8, 1948, by order of the Board of Transport Commissioners, dated March 30, 1948. The overall increase, because of the fixed statutory grain rates, amounted to only 16% on the revenues from the tonnage handled. The benefit which might have been expected from this increase was more than offset by a heavy increase in rates of pay made retroactive to March 1, 1948, (which could have been avoided only at the cost of a nation-wide strike) as well as by steadily rising costs for materials and supplies.

Because of these greatly increased operating costs, the railways applied to the Board in July last for a further increase of 20% in freight rates. Shortly thereafter, the Governor in Council, in disposing of an appeal by a number of the Provincial Governments, directed the Board to review the objections of the Provinces to the Order of the Board dated March 30, 1948, concurrently with the hearing of the new application of the railways. Hearings were opened on these two questions in January 1949 and now stand adjourned to March 28 for argument.

Reflecting these conditions, the accounts of your Company show the following results for the year ended December 31, 1948:

INCOME ACCOUNT

Gross Earnings	\$355,249,702
Working Expenses (including railway income taxes)	<u>336,830,536</u>
Net Earnings	\$ 18,419,166
Other Income (after income taxes)	<u>24,864,949</u>
	\$ 43,284,115
Fixed Charges	<u>15,890,264</u>
Net Income	\$ 27,393,851
Dividends—Preference Stock:	
2% paid August 2, 1948	\$2,278,841
2% payable February 1, 1949	<u>2,278,841</u>
	\$ 4,557,682
Dividends—Ordinary Stock:	
2% paid October 1, 1948	<u>6,700,000</u>
	11,257,682
Balance transferred to Profit and Loss Account	<u>\$ 16,136,169</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, 1949, amounting to \$10,050,000, is not deducted in the accounts for the year 1948.)

PROFIT AND LOSS ACCOUNT

Profit and Loss Balance December 31, 1947	\$279,123,961
Final dividend of 3% on the Ordinary Stock, declared from the earnings of the year 1947, paid March 31, 1948	\$10,050,000
Amount transferred to Depreciation Reserves	<u>88,568,940</u>
	98,618,940
Balance of Income Account for the year ended December 31, 1948	<u>\$16,136,169</u>
Portion of steamship insurance recoveries representing compensation for increased cost of tonnage replacement	<u>669,922</u>
	\$16,806,091
Deduct: Miscellaneous—Net Debit	<u>573,799</u>
	16,232,292
Profit and Loss Balance December 31, 1948, as per Balance Sheet	<u>\$196,737,313</u>

RAILWAY OPERATIONS

Gross earnings in 1948 increased \$36,663,783, or 11.5%, over those of 1947.

The increase in freight earnings amounted to \$36,254,686, or 14.5%. Approximately \$25.1 million were produced by the increase of 21% in Canadian domestic freight rates, effective April 8, and an increase of 15% in competitive rates, effective September 15. Increases granted United States carriers and made applicable in Canada on international, overhead and certain import and export traffic produced \$11.8 million.

The volume of traffic carried, measured in ton miles, was 3.8% less than in 1947.

Lower earnings were reported for only one commodity group, grain and grain products. The decrease in the volume of grain handled on the western lines of your Company amounted to 27 million bushels, or 10.9%.

Passenger earnings decreased \$2,049,575, or 5.1%, reflecting a decrease both in the number of passengers carried and in the average distance travelled.

Working expenses increased \$41,136,806, or 13.9%. The general wage increase of 17¢ per hour, which was made effective March 1, 1948, added approximately \$22.5 million to expenses, while changes provided for in agreements with employees in respect of wages, vacations and working rules, increased pay-rolls by \$2 million. Increased material prices added approximately \$14 million to the expenses for the year.

Maintenance expenses amounted to \$140,887,368, of which \$68,366,870 was for maintenance of way and structures and \$72,520,498 for maintenance of equipment. The increase over 1947 expenses amounted to \$23,825,446.

Ties Laid in Track:	
Treated	2,544,933
Untreated	525,054
New Rail Laid-Miles	330
Ballasting-Miles:	
Rock	219
Gravel	211
Overhauls:	
Locomotives	840
Freight Cars	30,033
Passenger Cars	1,193

There was credited to maintenance expenses during the year an amount of \$2,250,000, and a corresponding amount was withdrawn from the Maintenance Fund to which reference was

made at the last Annual Meeting. Pending the outcome of studies now under way, the user rates of depreciation were raised in order to take into account increases in investment in depreciable property which have become effective since the rates were first established. This resulted in increased depreciation charges of \$6,164,075.

Transportation expenses amounted to \$154,068,982, an increase of \$20,116,003, or 15.0%, over 1947. The following statistical averages are indicative of a continued high level of operating efficiency:

	1948	1947
Freight Train Load — gross tons	1,686	1,723
Freight Train Speed — miles per hour	16.1	15.9
Gross Ton Miles per Freight Train Hour	27,124	27,456
Freight Train Fuel Consumption — pounds per 1000 gross ton miles	119	115
Freight Car Load — tons	31.0	31.2

Railway tax accruals amounted to \$8,024,445. Included in this total was an amount of \$2,500,000 provided for Dominion and Provincial Income Taxes, a reduction of \$9,500,000 from the 1947 figure. This reduction was due principally to the decrease in net railway earnings and to the segregation of income taxes between railway and non-railway accounts.

The net debits for hire of equipment and joint facility rents, amounting to \$2,627,735, were added to working expenses in 1948, whereas in former years these items had been deducted from gross earnings.

Net earnings from railway operations were \$18,419,166, a decrease of \$4,473,023. The ratio of net to gross earnings was the lowest ever recorded, 5.2%, as compared with the previous low of 7.1% in 1946.

OTHER INCOME

Other income, after provision of \$2,325,000 for income taxes, amounted to \$24,864,949. This was \$76,022 greater than the total shown for 1947, when the provision for income taxes was included in railway tax accruals.

Steamship, hotel and communications results were adversely affected by higher operating costs. Net earnings from steamships decreased \$1,068,411, from hotels \$723,705 and from communications \$1,034,667 compared with the previous year.

Dividend income increased \$5,259,054 mainly from The Consolidated Mining and Smelting Company of Canada, Limited. Increased earnings due to higher world prices for base metals enabled that company to declare dividends and bonuses amounting to \$11.00 per share, compared with \$8.00 in 1947.

NET INCOME AND DIVIDENDS

Net income, after payment of fixed charges, amounted to \$27,393,851, a decrease of \$4,500,091 from the 1947 figure of \$31,893,942. Dividends amounting to 4% were declared on the Preference Stock. A dividend of 2% (fifty cents per share) on the Ordinary Stock was paid October 1, 1948, and after the close of the year a dividend of 3% (seventy-five cents per share) on the Ordinary Stock was declared, payable March 31, 1949. As the Directors pointed out, net earnings from rail operations were insufficient for the payment of any dividend on the Ordinary Stock.

Earnings per share on the Ordinary Stock, after fixed charges and Preference Stock dividend, amounted to \$1.70 compared with \$2.04 in 1947.

PROFIT AND LOSS ACCOUNT

The Profit and Loss balance at December 31, 1947, of \$279,123,961 was reduced by the amount of the 3% dividend on Ordinary Stock, \$10,050,000, which was declared after the close of 1947.

The attention of the Shareholders is drawn to the transfer of \$88,568,940 from profit and loss to depreciation reserves. Prior to 1933 your Company accounted for changes in property only at the time when renewal or retirement took place. In that year, accrual of depreciation was commenced in respect of

steamships, and later progressively for other classes of depreciable property. In addition to provisions for depreciation made from annual income, certain transfers of available credit balances and amounts previously appropriated from surplus have, from time to time, been made to the depreciation reserves, which at December 31, 1947, amounted to \$324,478,772. On the other hand the accrued depreciation at that date as shown by the depreciation reserves computed on the basis approved and recorded by the Income Tax Department, which include depreciation accruals from 1920, amounted to \$413,047,712. As the depreciation methods now being followed in the corporate and income tax records are identical, it was deemed desirable to bring the accumulated reserves also into agreement.

LAND ACCOUNTS

Sales of lands and townsites amounted to \$3,336,041, which included the old Hotel Vancouver site, 101,184 acres of timber lands, and 77,285 acres of farming land sold at an average price of \$5.18 per acre. The remaining holdings of your Company consist of 1,684,041 acres, of which 1,029,445 are farm and pasture lands and the balance timber lands and townsites.

Your Company holds, under varying reservations, the title to petroleum rights underlying 11,378,677 acres of land in the Prairie Provinces. Though recent discoveries of oil in Alberta have proved profitable to your Company, it cannot be assumed that more than a relatively small part of this acreage will yield anything of commercial value. The policy of your Company has been to encourage development by making favourable terms to companies willing to undertake exploration and drilling. At the close of the year, 33,088 acres were under lease to various oil companies and 9,136,539 acres under reservation for exploration. Rents, royalties and reservation fees in 1948 produced \$1,196,219, a substantial increase over the previous year.

Cash received on land account totalled \$6,393,295. Disbursements, including taxes, were \$1,272,803. Deferred payments on lands and townsites have been materially reduced during the past ten years. The amount outstanding at the close of the year was \$9,077,867.

Though continued improvement in farm income rendered less necessary the concessions extended to contract holders in previous years, modified concessions remained in effect during 1948. Since the inception of this policy contract holders have benefited to the extent of \$28,135,303.

BALANCE SHEET

Total assets at the end of the year amounted to \$1,709,010,491, an increase of \$60,556,668. Property investment increased by \$49,449,510, details of which are shown in a supporting schedule to the balance sheet. The largest item of expenditure was \$39,279,507 for rolling stock, of which \$23,578,895 was for new freight cars. Expenditures on steamships totalled \$5,262,628, of which \$3,451,340 was for the construction of two new passenger ships for the British Columbia Coast Service. The option for sale of the old Hotel Vancouver was exercised during the year and the property was retired.

At the end of the year there was on deposit \$16,698,580 of unexpended Equipment Trust funds.

There was little change in the total of either current assets or current liabilities, but material and supplies increased \$12,773,244, while cash and Dominion of Canada securities decreased \$12,876,373.

FINANCE

The amount of serial equipment obligations paid during the year was \$10,264,000. This included \$2,000,000 under Equipment Trust, Series "J", dated January 2, 1948, amounting to \$20,000,000, referred to in the previous Annual Report.

As of November 1, 1948, The Royal Trust Company, as Trustee, entered into an agreement under which \$17,000,000 principal amount of Equipment Trust Certificates was issued, guaranteed as to principal and interest by your Company. This issue, designated as Series "K" maturing in equal semi-annual instalments from May 1, 1949, to November 1, 1958, inclusive, is payable in Canadian currency, and bears interest at $2\frac{3}{8}\%$ per annum. Under this arrangement, equipment constructed

or to be constructed at an estimated cost of \$21,250,190 in Canadian funds is leased to your Company at a rental equal to the instalments of principal of and interest on the Equipment Trust Certificates.

These transactions resulted in a net increase in funded debt during the year of \$26,736,000 and a reduction of \$268,000 in the amount of Consolidated Debenture Stock pledged as collateral.

PENSIONS

Effective June 1, 1948, your Company voluntarily increased pensions in the lower brackets, on a temporary basis, in order to assist pensioners in meeting the increased cost of living.

The number of employees pensioned during 1948 was 1,224 and 524 pensions were terminated by death and other causes. At the end of the year there were 9,636 on the pension payroll, an increase of 700. The present number of pensioners is more than double the number at the end of 1942 and more than three times the 1937 total.

Distribution of the pensioners by age groups was:

Under 60 years of age	439
From 60 to 64 years of age, inclusive	1,192
From 65 to 69 years of age, inclusive	4,594
From 70 to 74 years of age, inclusive	2,101
From 75 to 79 years of age, inclusive	850
From 80 to 84 years of age, inclusive	345
From 85 to 89 years of age, inclusive	90
90 years and over	25
	<hr/>
	9,636

Expenditures for pensions during the year amounted to \$8,580,464. These included the proportion of the pension allowances paid by your Company, levies in respect of employees covered by United States Railroad Retirement Act, and the annual contribution of \$1,750,000 to the Pension Trust Fund.

EMPLOYEE RELATIONS

The request for a general wage increase made late in 1947 by representatives of practically all organized employees of your Company became the subject of investigation by two Boards of Conciliation established by the Department of Labour in the early part of the year. The majority report of each Board recommended an increase of seven cents an hour and the employees were advised by the railways that they were prepared to accept this recommendation. The employees rejected the recommendation and took a strike vote; subsequently the labour organizations ordered a strike to take effect July 15, 1948. The Dominion Government intervened in the negotiations that followed and your Company felt compelled to agree to a wage increase of seventeen cents an hour as being the only course that could avoid a general railway strike. The increase which was made effective March 1, 1948, means an addition to payroll expense for railway operations of approximately \$27,000,000 per annum; the estimated cost of applying the increase to all employees of your Company is \$32,300,000 per annum.

In 1948 the scope of medical services was extended by undertaking the annual physical examination of certain classes of employees as a further measure of protection to the public and to the employees themselves.

A standard induction procedure for new employees of all classes was determined upon during the year and put in force January 1, 1949. Its purpose is to establish minimum standards of qualification for new entrants to the service and is complementary to the physical examination on entry which was made a general requirement in 1945. It is intended also to assure that new employees have knowledge of, and regard for, Canadian Pacific service requirements.

CANADIAN PACIFIC AIR LINES, LIMITED

During 1948, the operations of your Air Lines resulted in a net loss of \$193,645 as compared with a loss of \$584,266 in 1947. Operating revenues increased 2.9%. Operating expenses were reduced by 6.1% despite higher costs of labour and materials.

The new routes first operated in 1947 continued to show satisfactory progress. The Vancouver-Calgary service, via the Okanagan Valley, was used to particular advantage in 1948 for the special movement of goods and passengers during the flood emergency in British Columbia.

Additional new routes were assigned and operated during the year, including the services between Vancouver and Whitehorse via Sandspit and between Dawson City and Aklavik. A licence was also issued to your Air Lines for a scheduled service between Montreal and Val d'Or.

A major development during the year was the designation of your Air Lines by the Dominion Government to operate two Canadian international air services in the Pacific region, one to Australia and New Zealand and the other to the Far East via Alaska. Development and organization work has been commenced and a contract has been placed for "Canadair Four" aircraft for use on these new routes which, it is anticipated, will go into operation about the middle of 1949.

UNITED STATES SUBSIDIARIES

Net income of Minneapolis, St. Paul & Sault Ste. Marie Railroad Company, after provision for fixed and contingent charges, amounted to \$1,770,421, compared with \$1,183,000 in the previous year. The improvement resulted from increased revenues produced by higher freight rates. A dividend of \$1.00 per share on the capital stock was declared on February 17, 1948, amounting to \$719,104, of which your Company received \$359,829, the same as in 1947.

Net earnings of The Duluth, South Shore and Atlantic Railway Company amounted to \$713,952, an increase of \$176,492 over the previous year. The plan of reorganization of the South Shore, approved by the Interstate Commerce Commission, was approved by the District Court on July 31, 1948. It was subsequently submitted to a vote of the security holders for acceptance or rejection and the Commission has recently announced the acceptance of the plan by the security holders.

Further hearings in the reorganization proceedings of the Wisconsin Central Railway Company are being held before an Examiner of the Interstate Commerce Commission.

RATES AND SERVICES

References have been made previously in this Report to the general increase in Canadian freight rates in 1948 and to the application of the railways for a further increase of 20%, now the subject of hearings before the Board of Transport Commissioners for Canada. Assuming the maintenance of the present level of traffic, it is estimated that the overall increase in freight revenues, if the application is granted, would amount to approximately \$30,000,000.

Hearings were held by the Board concluding in February 1949 on an application by the Attorney-General of British Columbia for a reduction of the Mountain scale of freight rates to the Prairie scale. The railways took the position that the evidence presented, showing the substantially higher cost of operation in Mountain as compared with Prairie territory, fully justified higher rates. It was further argued that any loss of revenue through adjustment of the Mountain scale should be made up to the railways through a general increase in rates.

The increases granted United States railways by the Interstate Commerce Commission and the application of these in Canada to certain classes of traffic by authority of the Board of Transport Commissioners have been referred to previously. Effective January 5, 1948, such rates were, on the average, 37.8% above the level in effect on June 30, 1946. In proceedings under Ex Parte 166, a further interim increase averaging 3.6% was granted, effective May 6, 1948. In the final decision in that case 1% was added, effective August 21, 1948. A new application for higher rates was heard in proceedings known as Ex Parte 168, and on December 29, 1948, the Commission rendered its decision, authorizing an increase averaging 5.4%, effective January 11, 1949. With this increase in effect, rates are 52% higher than they were at June 30, 1946. This is in striking contrast with the overall yield of 16% from the increase authorized in Canadian domestic freight rates.

During the past year your Company has succeeded in having located on or adjacent to its lines, 596 manufacturing, warehousing and distributing enterprises. To serve 221 of these, twenty-two miles of siding were constructed.

Work on the centrally controlled classification terminal in the Montreal area which was begun in 1947 continued throughout the past year. Good progress was made in laying track and on construction of the necessary buildings.

In expansion of the policy of road-rail transportation your subsidiary, Canadian Pacific Transport Company, Limited, acquired two more highway trucking services operating in Saskatchewan, Alberta and British Columbia.

STEAMSHIP REPLACEMENT

The *Empress of Scotland* was released from trooping service by the British Ministry of Transport in May and is now being overhauled and reconverted for passenger service. It is anticipated that this work will be completed in the spring of 1950.

The *Empress of France* re-entered the Atlantic service in September, after being overhauled and reconditioned. She operates in the Liverpool-Montreal and Liverpool-Saint John service as a sister ship to the *Empress of Canada*.

The *Empress of Australia* is still under charter to the British Ministry of Transport and employed in trooping service.

The *Princess Marguerite* and the *Princess Patricia*, both under construction for the British Columbia Coast Service, were launched during the year. It is expected that these two vessels will be placed in service in the summer of 1949.

The Canadian Australasian Line, in which your Company owns a half interest, resumed service between Vancouver and Sydney in August by the motor vessel *Aorangi*.

CAPITAL APPROPRIATIONS

In anticipation of your confirmation, capital appropriations in addition to those approved at the last Annual Meeting were authorized by your Directors during the year in the amount of \$5,992,777. This included a net increase of \$1,439,394 in appropriations for new rolling stock representing the difference between increased prices over the original estimates, covered in the case of outside builders by escalator clauses in contracts, and the cancellation of appropriations for 10 passenger cars. The

other principal items were \$1,070,570 for the reconversion of the *Empress of France*, \$950,000 for purchase from Canadian Pacific Express Company of its office building in Montreal, various additions and betterments to communication facilities, and purchase and renovation of an uptown office building in Halifax.

Your approval will be requested also for capital appropriations of \$30,365,889 for the year 1949. The principal items are as follows:

Additions and betterments to stations, freight sheds, coaling and watering facilities and enginehouses	\$2,709,911
Replacement and enlargement of structures in permanent form	1,016,270
Tie plates, rail anchors and miscellaneous roadway betterments	452,953
Replacement of rail in main line and branch line tracks with heavier section	1,403,377
Additional terminal and side track accommodation	388,889
Additions and betterments to shop machinery	300,604
New rolling stock	22,913,353
Additions and betterments to rolling stock	880,250
Additions and betterments to communication facilities.	236,096

The appropriations for new rolling stock make provision for 23 Diesel locomotives to be placed in service on the Montreal-Newport-Wells River line. This main line operation is well suited for the introduction of diesel power service and it is anticipated that important economies will be achieved. Provision is also made in the appropriations for 10 Diesel switchers and 2,240 freight cars.

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	19,852	14.30	169	.46	10.20
United Kingdom & Other British	10,605	37.49	27,468	96.79	55.06
United States	31,494	43.41	82	.34	30.65
Other Countries	3,185	4.80	534	2.41	4.09
	<u>65,136</u>	<u>100.00</u>	<u>28,253</u>	<u>100.00</u>	<u>100.00</u>

DIRECTORATE

Mr. N. R. Crump, Vice-President in charge of all lines of your Company, was appointed a Director to fill the vacancy created by the death of Mr. G. W. Spinney, C.M.G.

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

HON. F. PHILIPPE BRAIS, C.B.E., K.C.

MR. G. BLAIR GORDON

MR. N. R. CRUMP

MR. W. A. MATHER

OFFICERS AND EMPLOYEES

Your Directors desire to express their sincere appreciation of the efficient service rendered by officers and employees. Two out of every five of the employees of your Company have been in its service for twenty years or more. This is an important asset to your Company in its relations with the public.

For the Directors,



President.

MONTREAL, MARCH 14, 1949.

CANADIAN PACIFIC RAILWAY COMPANY

ASSETS

Property Investment:		
Railway, Rolling Stock and Inland Steamships	\$917,760,540	
Improvements on Leased Property	114,304,439	
Stocks and Bonds—Leased Railway Companies	134,172,370	
Ocean and Coastal Steamships	59,418,471	
Hotel, Communication and Miscellaneous Properties	98,856,977	
		<u>\$1,324,512,797</u>
Other Investments:		
Stocks and Bonds—Controlled Companies	\$ 69,915,412	
Miscellaneous Investments	46,994,057	
Advances to Controlled and Other Companies	8,857,539	
Mortgages Collectible and Advances to Settlers	1,360,672	
Deferred Payments on Lands and Townsites	9,077,867	
Unsold Lands and Other Properties	12,483,756	
Unexpended Equipment Trust Deposits	16,698,580	
Maintenance Fund	25,350,000	
Insurance Fund	13,188,540	
Steamship Replacement Fund	30,504,810	
		<u>234,431,233</u>
Current Assets:		
Material and Supplies	\$ 49,486,147	
Agents' and Conductors' Balances	14,380,154	
Miscellaneous Accounts Receivable	20,209,438	
Dominion of Canada Securities	26,290,000	
Cash	35,145,313	
		<u>145,511,052</u>
Unadjusted Debits:		
Insurance Prepaid	\$ 80,055	
Unamortized Discount on Bonds	3,240,099	
Other Unadjusted Debits	1,235,255	
		<u>4,555,409</u>
		<u><u>\$1,709,010,491</u></u>

**To the Shareholders,
Canadian Pacific Railway Company:**

We have examined the ab
as at December 31, 1948,
date and other related sc
Company.

The records of the se
an examination of those s
received from such depos

In our opinion the G
other related schedules ar
Company at December 3
according to the best of o
books of the Company.

Montreal, March 11, 1949

GENERAL BALANCE SHEET, DECEMBER 31, 1948

LIABILITIES

Capital Stock:		
Ordinary Stock	\$335,000,000	
Preference Stock—4% Non-cumulative	137,256,921	
		\$ 472,256,921
Perpetual 4% Consolidated Debenture Stock	\$325,588,729	
Less: Pledged as collateral to bonds and equipment obligations	30,150,500	
		295,438,229
Funded Debt		102,037,000
Current Liabilities:		
Pay Rolls	\$ 8,071,951	
Audited Vouchers	14,359,066	
Net Traffic Balances	4,410,125	
Miscellaneous Accounts Payable	9,511,393	
Accrued Fixed Charges	963,390	
Unmatured Dividend Declared	2,278,841	
Other Current Liabilities	8,200,598	
		47,795,364
Deferred Liabilities:		
Dominion Government Unemployment Relief	\$ 1,447,223	
Miscellaneous	3,057,320	
		4,504,543
Reserves and Unadjusted Credits:		
Maintenance Reserves	\$ 25,350,000	
Depreciation Reserves	439,851,108	
Investment Reserves	4,015,422	
Insurance Reserve	13,188,540	
Contingent Reserves	4,119,173	
Unadjusted Credits	6,141,811	
		492,666,054
Premium on Capital and Debenture Stock		34,458,562
Land Surplus		63,116,505
Profit and Loss Balance		196,737,313
		<u><u>\$1,709,010,491</u></u>

ERIC A. LESLIE, Vice-President and Comptroller

General Balance Sheet of the Canadian Pacific Railway Company for the year ending on that date, and the 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.

The securities owned by the Company at December 31, 1948, were verified by us and the certificates which were in the custody of its Treasurer and by certificates of the auditors as were holding securities in safe custody for the Company. The General Balance Sheet, Income and Profit and Loss Accounts and the Balance Sheet, Income and Profit and Loss Accounts and the Balance Sheet are properly drawn up so as to present fairly the financial position of the Company at December 31, 1948, and the results of its operations for the year then ended, and the information and the explanations given to us and as shown by the

PRICE, WATERHOUSE & Co., Chartered Accountants

CONTINGENT LIABILITIES

IN RESPECT OF SECURITIES OF LEASED RAILWAY COMPANIES:

	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.
<i>The interest on above obligations is included as part of Rent for Leased Roads in Fixed Charges.</i>		
OTHER:		
AROOSTOOK VALLEY RAILROAD COMPANY First and Refunding Mortgage Bonds, maturing July 1, 1961 — 4½%	£ 93,600	Guarantee of interest.
<i>Includes £73,400 held in Sinking Fund and £14,300 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%	\$ 1,632,340	Guarantee of interest.
<i>Payable in United States currency.</i>		

CHANGES IN PROPERTY INVESTMENT

PROPERTY INVESTMENT DECEMBER 31, 1947

\$1,275,063,287

RAILWAY, ROLLING STOCK AND INLAND STEAMSHIPS:

Additions and Betterments:

Railway	\$ 3,758,472	
Rolling Stock	39,279,507	
Inland Steamships	16,258	
		\$43,054,237
Retirements and Transfers—Cr.	6,040,953	

\$37,013,284

IMPROVEMENTS ON LEASED PROPERTY:

Additions and Betterments:

Railway	\$ 7,250,308	
Retirements and Transfers—Cr.	902,645	

6,347,663

STOCKS AND BONDS — LEASED RAILWAY COMPANIES:

Acquired:

\$6,600 Capital Stock, Massawippi Valley Railway Company	\$ 7,591	
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Redeemed:

\$5,000 First Mortgage Bonds, Newport and Richford Railroad Company—Cr.	5,000	
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2,591

OCEAN AND COASTAL STEAMSHIPS:

Additions and Betterments:

Ocean	\$ 1,782,966	
Coastal	3,479,662	
		\$ 5,262,628
Retirements—Cr.	389,324	

4,873,304

HOTEL, COMMUNICATION AND MISCELLANEOUS PROPERTIES:

Additions and Betterments:

Hotels	\$ 94,561	
Communications	1,879,802	
Miscellaneous Properties	1,329,593	
		\$ 3,303,956

Retirements and Transfers—Cr.	2,091,288	
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1,212,668

49,449,510

PROPERTY INVESTMENT DECEMBER 31, 1948, as per Balance Sheet

\$1,324,512,797

STOCKS AND BONDS—Leased Railway Companies

	Par Value or Principal Amount
The Alberta Central Railway Company	
† Mortgage Bonds—4%	\$ 2,240,000
† Capital Stock	50,000
The Alberta Railway and Irrigation Company	
† Mortgage Bonds—4%	1,676,000
Capital Stock	3,229,500
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 Co.	
† Mortgage Bonds—4%	11,895,000
† Capital Stock	125,000
The Columbia and Kootenay Railway and Navigation Co.	
† 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	925,000
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
<i>Carried forward</i>	<hr/> \$ 75,819,621

STOCKS AND BONDS—Leased Railway Companies—Continued

	<i>Par Value or Principal Amount</i>
<i>Brought forward</i>	\$ 75,819,621
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%	5,340,000
† 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 Co.	
First Mortgage Bonds—4%	156,000
Capital Stock	175,000
The Lindsay, Bobcaygeon and Pontypool Railway Company	
† Capital Stock	200,000
Manitoba and North Western Railway Co. 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	506,600
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
<i>Carried forward</i>	\$141,753,734

STOCKS AND BONDS—Leased Railway Companies—Concluded

	Par Value or Principal Amount
<i>Brought forward</i>	\$141,753,734
Newport and Richford Railroad Company	
† First Mortgage Bonds—4%	320,000
† Capital Stock	350,000
Nicola, Kamloops and Similkameen Coal and Railway Co.	
† 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%	3,075,000
† Capital Stock	804,000
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%	356,500
† 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%	455,000
† Capital Stock	25,000
The Walkerton and Lucknow Railway Company	
† Mortgage Bonds—4%	740,000
† Capital Stock	19,000
The West Ontario Pacific Railway Company	
† Capital Stock	21,000
 Cost — \$134,172,370	 Total
	<u>\$159,176,174</u>

† Denotes complete ownership.

STOCKS AND BONDS—Controlled Companies

	<i>Par Value or Principal Amount</i>
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—1,200,000 shares—Cost	6,000,000
Canadian Pacific Express Company	
† Capital Stock	3,000,000
Canadian Pacific Steamships, Limited	
† Capital Stock	43,800
Canadian Pacific Transport Company, Limited	
† Capital Stock	400,000
Central Terminal Railway Company	
† Capital Stock	2,000,000
The Consolidated Mining & Smelting Co. of Canada, Ltd.	
Capital Stock	8,412,500
The Duluth, South Shore and Atlantic Railway Company*	
M. H. & O. Railroad Company Mortgage Bonds—6%	1,077,000
† First Consolidated Mortgage Bonds—4%	15,107,000
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
Mineral Range Railroad Company*	
† General Mortgage Bonds—4%	1,000,000
† Consolidated Mortgage Bonds—4%	177,800
Consolidated Mortgage Bonds—5%	234,500
† H. & C. Railroad Company Mortgage Bonds—5%	180,375
Minneapolis, St. Paul & Sault Ste. Marie Railroad Co.	
General Mortgage Income Bonds—4%	3,313,900
Common Stock—No Par Value—359,907 shares—Cost	16,161,719
The New Brunswick Cold Storage Company, Limited	
† Cumulative Preference Stock	25,000
† Ordinary Stock	50,000
<i>Carried forward</i>	<u>\$ 63,696,674</u>

STOCKS AND BONDS—Controlled Companies—Concluded

	Par Value or Principal Amount
<i>Brought forward</i>	\$ 63,696,674
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
Seigniorv Club Community Association, Limited	
† First Mortgage Income Bonds—5%	2,215,000
† 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	920,804
Cost, \$69,915,412—Total	\$ 68,556,928

† Denotes complete ownership.

* The properties of these Companies are being operated by Trustee under Section 77 of Bankruptcy Act of United States, and the investment in the stocks thereof has been written off.

MISCELLANEOUS INVESTMENTS

	Par Value or Principal Amount
Canadian Australasian Line Limited	
Capital Stock	\$ 2,433,300
The Canadian Pacific Car & Passenger Transfer Co. Ltd.	
Capital Stock	200,000
Northern Alberta Railways Company	
First Mortgage Bonds—4%	10,427,500
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%	8,590,298
Other Investments—Cost	4,731,795
Cost, \$46,994,057—Total	\$ 48,144,893

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	\$ 22,313,000	\$325,588,729	
Less: Pledged as collateral	—	7,837,500	22,313,000	30,150,500	
	<u>£ 47,350,321</u>	<u>\$ 65,000,000</u>	<u>—</u>	<u>\$295,438,229</u>	

FUNDED DEBT

	Rate	Date of Issue	Date of Maturity	Currency in which Payable	Principal Outstanding
*Equipment Trust Series "D"	{ 3% 2½%	Feb. 1, 1937	Serially to Jan. 31, 1952	Canadian United States	\$ 1,876,000 1,876,000
Equipment Trust Series "E"	3%	June 1, 1938	Serially to May 31, 1953	Canadian	3,960,000
Equipment Trust Series "F" (Refunding)	1¾%	Feb. 1, 1946	Serially to Feb. 1, 1953	United States	8,100,000
Equipment Trust Series "G" (Refunding)	1½%	June 1, 1946	Serially to Dec. 1, 1953	United States	13,000,000
Equipment Trust Series "H"	2%	Oct. 1, 1945	Serially to Oct. 1, 1955	United States	14,000,000
Equipment Trust Series "J"	2%	Jan. 2, 1948	Serially to Dec. 31, 1957	Canadian	18,000,000
Equipment Trust Series "K"	2¾%	Nov. 1, 1948	Serially to Oct. 31, 1958	Canadian	17,000,000
				**COLLATERAL TRUST BONDS:	
Convertible Fifteen Year Bonds (Conversion privilege has terminated)	4%	July 2, 1934	July 2, 1949	Canadian	10,700,000
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
				<i>Total</i>	<u>\$102,037,000</u>

*Secured in part by pledge of Perpetual 4% Consolidated Debenture Stock aggregating, in principal amount, \$938,000.

**Secured by pledge of Perpetual 4% Consolidated Debenture Stock aggregating, in principal amount, \$29,212,500.

DEPRECIATION RESERVES

	*Balance December 31, 1947	Additions	Deductions	Balance December 31, 1948
Road	\$ 148,599,835	\$ 9,667,452	\$ 789,447	\$ 157,477,840
Rolling Stock	190,090,780	18,861,773	4,155,515	204,797,038
Steamship	31,343,598	2,659,115	437,081	33,565,632
Hotel and Other	43,013,499	2,668,958	1,671,859	44,010,598
	<u>\$ 413,047,712</u>	<u>\$ 33,857,298</u>	<u>\$ 7,053,902</u>	<u>\$ 439,851,108</u>

*After transfer of \$88,568,940 from Profit and Loss in order to bring the reserves into line with accumulated reserves computed on the basis approved and recorded by the Income Tax Department.

LAND SURPLUS ACCOUNT

Land Surplus December 31, 1947		\$ 60,722,480
Land and townsite sales	\$ 3,336,041	
Miscellaneous earnings	1,812,495	
		<u>5,148,536</u>
		\$ 65,871,016
DEDUCT:		
Land and irrigation expenses	\$ 603,799	
Property and income taxes	669,004	
Inventory value of lands sold	1,247,300	
Land contracts cancelled	\$ 527,439	
Less: Inventory value of lands reacquired	202,095	
		<u>325,344</u>
Miscellaneous adjustments—Cr.	90,936	
		<u>2,754,511</u>
Land Surplus December 31, 1948, as per Balance Sheet		<u>\$ 63,116,505</u>

GROSS EARNINGS

Freight	\$287,148,260
Passenger	38,273,299
Mail	4,312,952
Express	7,345,784
Sleeping, Parlour and Dining Car and Miscellaneous	18,169,407
Total	<u>\$355,249,702</u>

WORKING EXPENSES

Maintenance of Way and Structures	\$ 68,366,870
Maintenance of Equipment	72,520,498
Traffic	7,760,322
Transportation	154,068,982
Miscellaneous Operations	7,620,076
General	15,841,608
Railway Tax Accruals	8,024,445
Hire of Equipment (Net)	1,552,032
Joint Facility Rents (Net)	1,075,703
Total	<u>\$336,830,536</u>

OTHER INCOME

Net earnings from ocean and coastal steamships	\$ 2,731,936
Net earnings from hotel, communication and miscellaneous properties	887,874
Dividends	19,806,469
Net income from interest, exchange, separately operated properties and miscellaneous sources	3,763,670
	<u>\$ 27,189,949</u>
Provision for income taxes on other income	2,325,000
Total	<u>\$ 24,864,949</u>

FIXED CHARGES

RENT FOR LEASED ROADS:	
The Alberta Railway and Irrigation Company	\$ 1,230
Atlantic and North-West Railway	210,080
The Calgary and Edmonton Railway	181,267
The Dominion Atlantic Railway	22,500
The Fredericton & Grand Lake Coal & Railway	70,664
The Glengarry and Stormont Railway	64,315
The Guelph Junction Railway	57,009
Joliette and Brandon Railway	5,000
The Lindsay, Bobcaygeon and Pontypool Railway	20,000
Massawippi Valley Railway	17,802
The Montreal and Atlantic Railway	8,880
New Brunswick Railway System	335,477
Ontario and Quebec Railway	1,038,967
Quebec Central Railway	483,451
The St. Lawrence and Ottawa Railway	32,320
The St. Stephen and Milltown Railway	2,050
The Southampton Railway	2,108
Tobique Railway	17,174
The Toronto, Hamilton and Buffalo Railway	14,939
The Winnipeg River Railway	1
	<hr/> \$ 2,585,234
INTEREST ON DEBENTURE STOCK AND FUNDED DEBT:	
Perpetual 4% Consolidated Debenture Stock	\$10,251,812
Equipment Obligations	1,351,631
Convertible Fifteen Year 4% Collateral Trust Bonds	428,000
Convertible Fifteen Year 3 1/2% Collateral Trust Bonds	224,000
Thirty Year 3 1/2% Collateral Trust Bonds	249,375
	<hr/> 12,504,818
GUARANTEED INTEREST:	
Minneapolis, St. Paul & Sault Ste. Marie Railway Company Bonds	197,039
INTEREST ON UNFUNDED DEBT	10,087
AMORTIZATION OF DISCOUNT ON FUNDED DEBT	593,086
Total	<hr/> <u>\$15,890,264</u>

MILEAGE

CANADIAN PACIFIC RAILWAY:		Miles Operated
Eastern Region		
New Brunswick District		841.3
Quebec District		1,643.8
Ontario District		1,423.7
Algoma District		1,220.2
Dominion Atlantic Lines		304.1
Quebec Central Lines		356.5
Prairie Region		
Manitoba District		2,514.1
Saskatchewan District		3,627.1
Alberta District		3,107.3
Pacific Region		
British Columbia District		1,993.7
		<hr/> 17,031.8
CANADIAN PACIFIC ELECTRIC LINES		69.1
CONTROLLED RAILWAY COMPANIES:		
Aroostook Valley Railroad		31.9
Minneapolis, St. Paul & Sault Ste. Marie Railroad		3,223.9
The Duluth, South Shore and Atlantic Railway	515.5*	
Mineral Range Railroad	23.8*	
		<hr/> 539.3
		<hr/> 3,795.1
Total		<hr/> <hr/> 20,896.0

*The properties of these Companies are being operated by Trustee under Section 77 of Bankruptcy Act of United States.

ROLLING STOCK (Owned and Leased not including Electric Lines)

LOCOMOTIVES:		
Steam		1,747
Diesel		84
		<hr/> 1,831
FREIGHT TRAIN CARS:		
Box, Stock and Flat		61,991
Refrigerator, Tank and Open-Top		12,926
Conductors' Vans		1,261
		<hr/> 76,178
PASSENGER TRAIN CARS:		
Coach and Tourist Sleeping		1,280
Parlour, Standard Sleeping and Dining		539
Baggage, Mail and Express		869
		<hr/> 2,688*
BOARDING, TOOL AND OTHER WORK CARS		5,854
*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	Sicamous
			Gross Tonnage
			14,606

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

COASTAL STEAMSHIPS

Kyuquot	Princess Louise	
Motor Princess	Princess Maquinna	
Nootka	Princess Mary	
Princess Adelaide	Princess Norah	
Princess Alice	Princess Victoria	
Princess Charlotte	Prospect Point No. 1	
Princess Elaine	Transfer No. 3	
Princess Elizabeth	Transfer No. 7	
Princess Helene	Transfer No. 8	
Princess Joan	Transfer No. 9	
Princess Kathleen		
	Gross Tonnage:	
	In service	55,422
	Under construction	12,000
	Total	67,422

*Where the
Earnings
came from*



FARM PRODUCTS (Animals & Agriculture)

20¢



PRODUCTS OF MINES & FORESTS

20¢



MANUFACTURES & MISCELLANEOUS

41¢



PASSENGERS

14¢



OTHER

5¢

THE RAILWAY DOLLAR — 1948



PAY ROLLS

51¢



MATERIALS & SUPPLIES

30¢



TAXES & OTHER EXPENSES

14¢



FIXED CHARGES

4¢



DIVIDENDS, IMPROVEMENTS, ETC.

1¢

*Where the
Earnings
went to*

Summary of Operations

FOR THE YEARS

1919 to 1948

Year	Average Miles of Road Operated	Gross Earnings	Working Expenses (Including Taxes)
1919	12,993.8	\$176,929,060	\$143,996,024
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

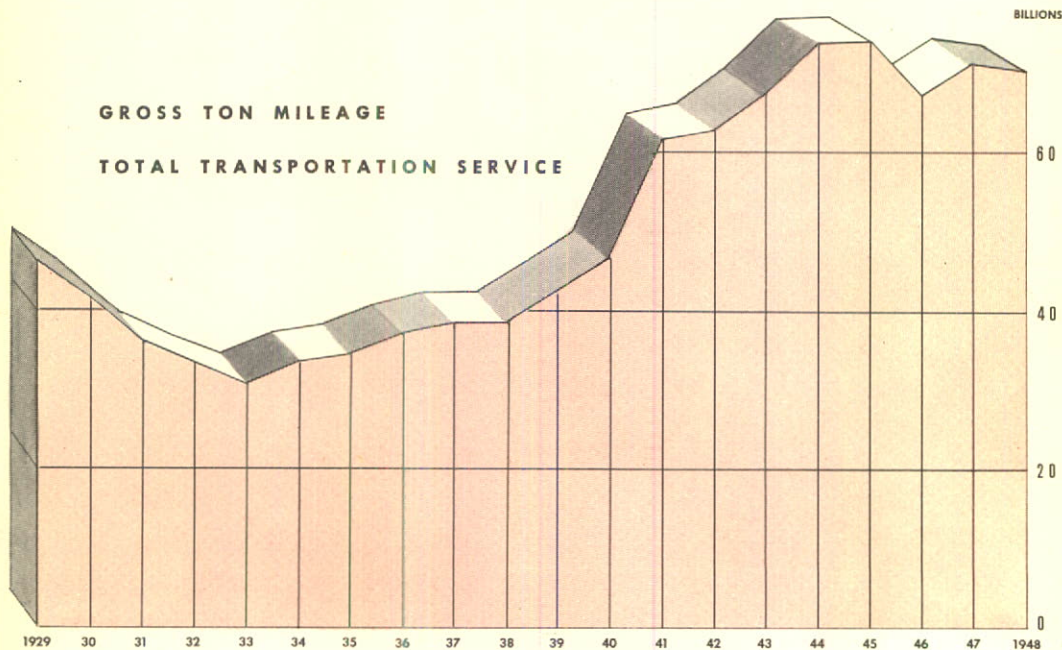
Net Earnings	Ratio of Net to Gross Earnings	Other Income	Income before Fixed Charges	Fixed Charges	Dividends Declared on Capital Stock	
					Preference	Ordinary
\$32,933,036	18.6	\$ 9,049,342	\$41,982,378	\$10,161,510	\$3,227,277	\$26,000,000
33,153,045	15.3	10,966,448	44,119,493	10,775,409	3,227,277	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

TRANSPORTATION AND TRAFFIC STATISTICS

	Year 1948	Year 1947	Increase or Decrease Amount or Number	Per Cent.
Average Miles of Road Operated	17,032.7	17,034.7	2.0	—
TRAIN MILEAGE				
Freight Service	35,938,752	35,892,237	46,515	.1
Passenger Service	20,204,687	20,030,695	173,992	.9
Total Transportation Service	56,143,439	55,922,932	220,507	.4
LOCOMOTIVE MILEAGE				
Freight Service	40,681,745	40,610,395	71,350	.2
Passenger Service	20,925,008	20,947,511	22,503	.1
Switching Service—Road and Yard	15,722,154	15,737,026	14,872	.1
Total Transportation Service	77,328,907	77,294,932	33,975	—
CAR MILEAGE				
Freight				
Loaded	886,526,014	904,552,841	18,026,827	2.0
Empty	386,629,400	397,636,250	11,006,850	2.8
Caboose	37,691,260	38,014,650	323,390	.9
Total	1,310,846,674	1,340,203,741	29,357,067	2.2
Passenger				
Coaches	49,005,190	48,583,685	421,505	.9
Sleeping, Parlour and Observation	55,615,072	56,524,663	909,591	1.6
Dining	8,666,925	8,472,784	194,141	2.3
Other	66,009,053	59,950,245	6,058,808	10.1
Total	179,296,240	173,531,377	5,764,863	3.3
Total Transportation Service	1,490,142,914	1,513,735,118	23,592,204	1.6
GROSS TON MILEAGE				
Freight Service—Cars and Contents	57,529,953,000	58,737,593,000	1,207,640,000	2.1
Passenger Service—Cars only	12,524,455,000	12,422,596,000	101,859,000	.8
Total Transportation Service	70,054,408,000	71,160,189,000	1,105,781,000	1.6

GROSS TON MILEAGE

TOTAL TRANSPORTATION SERVICE

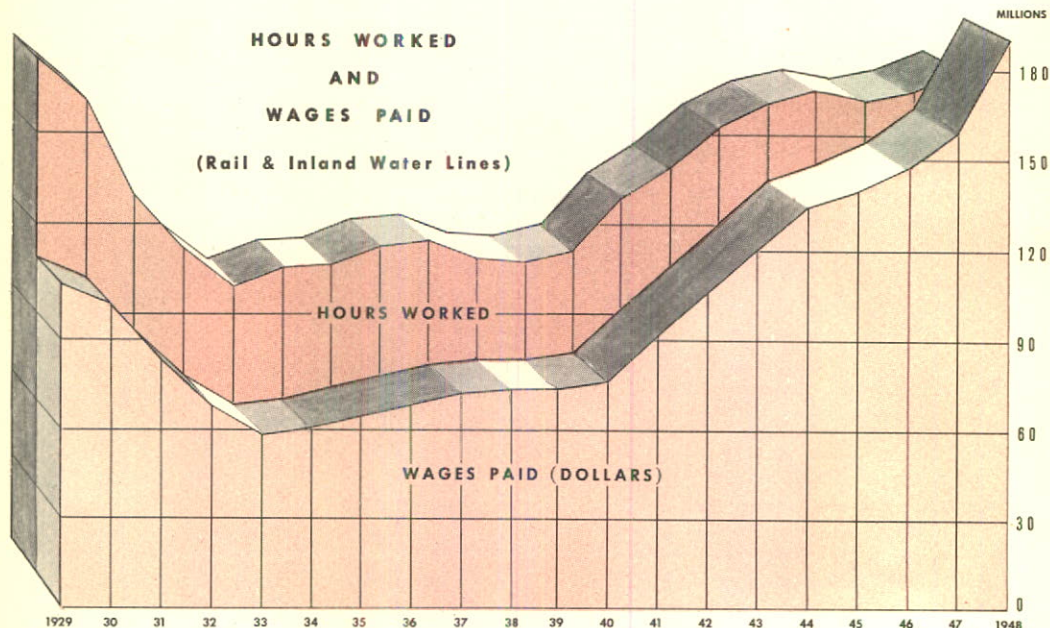


TRANSPORTATION AND TRAFFIC STATISTICS—Continued

	Year 1948	Year 1947	Increase or Amount or Number	Decrease Per Cent.
FREIGHT TRAFFIC—RAIL				
Freight revenue—\$	285,904,350	249,866,918	36,037,432	14.4
Tons—Revenue freight	60,036,833	59,034,547	1,002,286	1.7
Tons—All freight	68,751,488	67,074,548	1,676,940	2.5
Ton miles—Revenue freight	25,218,400,000	26,201,731,000	983,331,000	3.8
Ton miles—All freight	27,461,692,000	28,252,902,000	791,210,000	2.8
Averages per Mile of Road				
Freight revenue—\$	16,786	14,668	2,118	14.4
Train miles	2,110	2,107	3	.1
Total freight train car miles	76,961	78,675	1,714	2.2
Ton miles—Revenue freight	1,480,587	1,538,139	57,552	3.8
Ton miles—All freight	1,612,292	1,658,550	46,258	2.8
Averages per Train Mile				
Freight revenue—\$	7.96	6.96	1.00	14.4
Loaded freight car miles	24.6	25.1	.5	2.0
Empty freight car miles	10.7	11.1	.4	3.6
Car miles—All classes	36.6	37.4	.8	2.1
Ton miles—Revenue freight	701.7	730.0	28.3	3.9
Ton miles—All freight	764.1	787.2	23.1	2.9
Gross ton miles	1,600.8	1,636.5	35.7	2.2
Averages per Loaded Car Mile				
Freight revenue—¢	32.2	27.6	4.6	16.7
Ton miles—All freight	31.0	31.2	.2	.6
Miscellaneous Averages				
Revenue per ton of freight—\$	4.76	4.23	0.53	12.5
Revenue per ton mile of freight—¢	1.13	0.95	0.18	18.9
Miles hauled—Revenue freight	420.0	443.8	23.8	5.4
Miles hauled—All freight	399.4	421.2	21.8	5.2
Classification of Revenue Tonnage Carried				
Products of Agriculture	13,515,251	15,457,880	1,942,629	12.6
Animals and Animal Products	1,139,223	1,042,336	96,887	9.3
Products of Mines	22,234,211	19,995,052	2,239,159	11.2
Products of Forests	6,843,240	6,706,475	136,765	2.0
Manufactures and Miscellaneous	14,709,428	14,151,729	557,699	3.9
Total Carload Traffic	58,441,353	57,353,472	1,087,881	1.9
All less carload freight	1,595,480	1,681,075	85,595	5.1
Total Carload and L.C.L. Traffic	60,036,833	59,034,547	1,002,286	1.7
PASSENGER TRAFFIC—RAIL				
Passenger revenue—\$	37,848,138	39,906,621	2,058,483	5.2
Passenger service train revenue—\$	54,851,081	56,886,388	2,035,307	3.6
Revenue passengers carried	13,629,044	14,636,353	1,007,309	6.9
Revenue passenger miles	1,523,514,000	1,665,585,000	142,071,000	8.5
Averages per Mile of Road				
Passenger revenue—\$	2,222	2,343	121	5.2
Passenger service train revenue—\$	3,220	3,339	119	3.6
Train miles	1,186	1,176	10	.9
Total passenger train car miles	10,527	10,187	340	3.3
Revenue passenger miles	89,446	97,776	8,330	8.5
Averages per Train Mile				
Passenger revenue—\$	1.87	1.99	0.12	6.0
Passenger service train revenue—\$	2.71	2.84	0.13	4.6
Car miles—All classes	8.7	8.6	.1	1.2
Revenue passenger miles	75.4	83.2	7.8	9.4
Gross ton miles	619.9	620.2	.3	—
Averages per Car Mile—Passenger				
Passenger revenue—¢	33.4	35.1	1.7	4.8
Revenue passenger miles	13.4	14.7	1.3	8.8
Miscellaneous Averages				
Revenue per passenger—\$	2.78	2.73	0.05	1.8
Revenue per passenger mile—¢	2.48	2.40	0.08	3.3
Miles carried—Revenue passengers	111.8	113.8	2.0	1.8

TRANSPORTATION AND TRAFFIC STATISTICS—Concluded

	Year 1948	Year 1947	Increase or Decrease	
			Amount or Number	Per Cent.
TOTAL TRAFFIC—RAIL				
Averages per Mile of Road				
Train miles	3,296	3,283	13	.4
Car miles	87,487	88,862	1,375	1.6
Operating revenues—\$	20,758	18,770	1,988	10.6
Operating expenses—\$	19,073	16,340	2,733	16.7
Net operating revenue—\$	1,685	2,430	745	30.7
Averages per Train Mile				
Operating revenues—\$	6.30	5.72	0.58	10.1
Operating expenses—\$	5.79	4.98	0.81	16.3
Net operating revenue—\$	0.51	0.74	0.23	31.1
TOTAL TRAFFIC—RAIL AND INLAND WATER LINES				
Operating revenues—\$	355,249,702	321,223,099	34,026,603	10.6
Operating expenses—\$	326,178,356	279,520,795	46,657,561	16.7
Net operating revenue—\$	29,071,346	41,702,304	12,630,958	30.3
Tax accruals, net of hire of equipment and joint facility rents—\$	10,652,180	18,810,115	8,157,935	43.4
Net earnings—\$	18,419,166	22,892,189	4,473,023	19.5
Per cent. operating expenses to operating revenues	91.82	87.02	4.80	5.5
Payroll charged operating expenses—\$	181,047,340	151,790,688	29,256,652	19.3
Per cent. payroll to operating revenues	50.96	47.25	3.71	7.9
Per cent. payroll to operating expenses	55.51	54.30	1.21	2.2





CANADIAN PACIFIC
TRANS-PACIFIC AIR ROUTES

ALASKA
CANADA
U.S.A.
VANCOUVER
KODIAK
SAN FRANCISCO
HAWAII
CANTON ISLAND
FIJI
AUCKLAND
NEW ZEALAND
SYDNEY
AUSTRALIA
PHILIPPINE ISLANDS
NETHERLAND INDIES
NEW GUINEA
CHINA
HONG KONG
SHANGHAI
JAPAN
TOKYO
SHEMYA
BURMA

