

Canadian Pacific



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Annual Report
of the Company
1946

CANADIAN PACIFIC RAILWAY COMPANY

NOTICE TO SHAREHOLDERS

The Sixty-sixth 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 seventh 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 fifteenth day of April. The Preference Stock Books will be closed in London at the same time.

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

By order of the Board,

F. BRAMLEY,
Secretary

Montreal, March 10, 1947.

Chas. D. J. R. Lomas Apr. 15/47



BOARD OF

RT. HON. SIR JOHN ANDERSON, 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.	do
D'ALTON C. COLEMAN, C.M.G.	do
*HON. CHARLES A. DUNNING, P.C.	do
G. BLAIR GORDON	do
HON. ERIC W. HAMBER, C.M.G.	Vancouver

*Member of

OFFICERS

Chairman and President	W. M. NEAL, C.B.E.	Montreal
Vice-President	G. A. WALKER, K.C.	do
Vice-President, (<i>jurisdiction over all lines</i>)	W. MANSON	do
Assistant to the President	A. C. MACDONALD	do
Assistant to Vice-President	H. J. MAIN	do
Assistant to Vice-President	A. LYLE	do
Secretary	F. BRAMLEY	do
Assistant Secretary	C. NIDEROST, K.C.	do
Assistant Secretary	J. C. BONAR	do

LAW DEPARTMENT

Vice-President and General Counsel	G. A. WALKER, K.C.	Montreal
General Solicitor	F. C. S. EVANS, K.C.	do
Assistant General Counsel	D. I. McNEILL, K.C.	do

FINANCIAL DEPARTMENT

Vice-President	L. B. UNWIN	Montreal
Treasurer	J. A. DUNDAS	do
Assistant to Vice-President	E. C. KERR	do
Assistant Treasurer	T. H. MOFFITT	do

ACCOUNTING DEPARTMENT

Vice-President and Comptroller	ERIC A. LESLIE	Montreal
Assistant Comptroller	S. J. W. LIDDY	do
Assistant Comptroller	W. A. CROSBIE	do
Assistant to Comptroller	H. C. REID	do

PURCHASING AND STORES DEPARTMENT

Vice-President	B. W. ROBERTS, O.B.E.	Montreal
General Purchasing Agent	JOHN EATON, O.B.E.	do
Manager of Stores	F. G. BANNISTER	do

TRAFFIC DEPARTMENT

Vice-President	GEORGE STEPHEN, C.B.E.	Montreal
Assistant to Vice-President	H. H. SCOTT	do
Passenger Traffic Manager	R. G. McNEILLIE	do
Asst. Pass. Traffic Mgr., Eastern Lines	G. E. CARTER	do
Asst. Pass. Traffic Mgr., Western Lines	N. R. DESBRISAY	Winnipeg
Assistant Passenger Traffic Manager	IAN WARREN	Montreal
Acting Steamship Pass. Traffic Manager	H. B. BEAUMONT	do
Freight Traffic Manager	C. E. JEFFERSON	do
Asst. Freight Traffic Mgr., Eastern Lines	G. HIAM	do
Asst. Freight Traffic Mgr., Western Lines	H. W. GILLIS	Winnipeg
Foreign Freight Traffic Manager	G. C. DEW	Montreal
Manager, Mail and Baggage Traffic	W. E. ALLISON	do

DIRECTORS

JOHN W. HOBBS	Toronto
LOUIS L. LANG	Kitchener
R. S. McLAUGHLIN	Oshawa
*ROSS H. McMASTER	Montreal
*W. M. NEAL, C.B.E.	do
SIR EDWARD PEACOCK, G.C.V.O.	London, Eng.
HOWARD P. ROBINSON	Saint John
*GEORGE W. SPINNEY, C.M.G.	Montreal
ROBERT C. STANLEY	New York
*G. A. WALKER, K.C.	Montreal

Executive Committee.

OPERATING DEPARTMENT

Eastern Lines:

Vice-President and General Manager	N. R. CRUMP	Toronto
Assistant General Manager	D. S. THOMSON	do
Asst. to Vice-President and Gen. Manager	G. N. CURLEY	do
Gen. Supt. New Brunswick District	S. W. CRABBE	Saint John
Gen. Supt. Quebec District	W. F. TULLY	Montreal
Gen. Supt. Ontario District	J. R. KIMPTON	Toronto
Gen. Supt. Algoma District	E. S. McCRACKEN	North Bay

Western Lines:

Vice-President	W. A. MATHER	Winnipeg
General Manager	G. H. BAILLIE	do
Asst. to Vice-President	H. A. GREENIAUS	do
Asst. Gen. Mgr. British Columbia Dist.	W. S. HALL	Vancouver
Gen. Supt. Alberta District	J. C. JONES	Calgary
Gen. Supt. Saskatchewan District	H. C. TAYLOR	Moose Jaw
Gen. Supt. Manitoba District	J. I. MACKAY	Winnipeg

Chief Engineer	J. E. ARMSTRONG	Montreal
Chief of Motive Power & Rolling Stock	H. B. BOWEN, C.B.E.	do
Manager, Dept. of Research	W. A. NEWMAN, C.B.E.	do
Manager of Personnel	H. D. BRYDONE-JACK	do
Asst. to Vice-President Personnel	H. SHOBRIDGE	do
General Supt. of Transportation	R. E. TAYLOR	do
Manager of Sleeping and Dining Cars	T. M. McKEOWN	do
General Mgr. of Communications	W. D. NEIL, O.B.E.	do
General Manager of Hotels	H. F. MATHEWS	do
Manager, Dept. of Public Relations	J. H. CAMPBELL	do
Chief Com. of Immig'n & Colonization	H. C. P. CRESSWELL	do
Chief, Dept. of Investigation	A. H. CADIEUX, O.B.E.	do
Manager, Dept. of Natural Resources	LESLIE MUNROE	Calgary
Special Representative	WM. BAIRD	London
European General Manager	J. C. PATTESON, C.M.G., Trafalgar Square	do
Oriental Manager	D. DRUMMOND	Hong Kong
Deputy Secretary & Registrar of Transfers	R. F. TREMAYNE, 8 Waterloo Place	London

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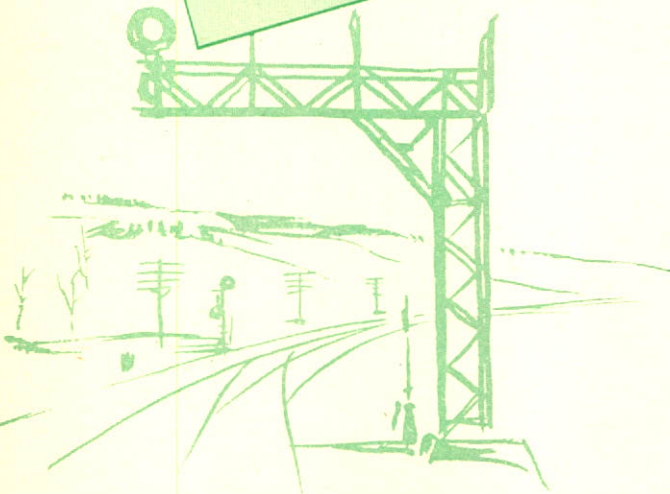
TRANSFER AGENTS

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

COMPARISONS AT A GLANCE

	1946	1945
Gross Earnings	\$292,495,828	\$316,109,358
Working Expenses (including taxes)	271,652,778	280,055,024
Net Earnings	20,843,050	36,054,334
Other Income	22,779,794	15,106,957
Fixed Charges	18,488,113	19,547,129
Net Income	25,134,731	31,614,162
Dividends*	21,307,682	21,781,500
Balance Available for Moderniza- tion and Other Corporate Purposes	3,827,049	9,832,662
Ratio of Working Expenses to Gross Earnings	92.87%	88.59%
Payroll Charged Working Expenses	\$140,874,155	\$133,592,959
Average Annual Wage per Employee	\$2,302	\$2,168
Average Hourly Wage per Employee	92c	85c

*4 per cent. on Preference Stock, and 5 per cent. on Ordinary Stock of which 3 per cent. was declared after the close of the year.



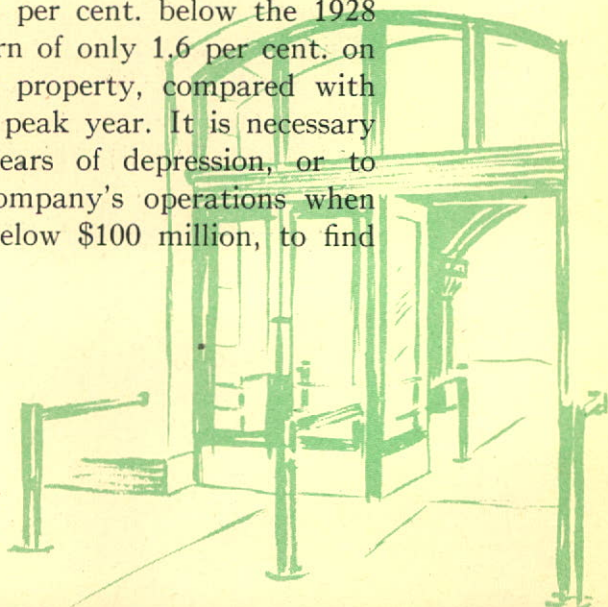
SIXTY-SIXTH ANNUAL REPORT
OF THE DIRECTORS

1 1 1

TO THE SHAREHOLDERS :

The year 1946 provided welcome opportunities for the re-establishment by your Company of services which were suspended during the war, and for introducing further improvements in the field of transportation. The difficulties which the transition period presented were largely surmounted. The Dominion enjoyed general prosperity and the demand for rail transportation was well sustained.

The distorted relationship between the price received for transportation service and the prices paid for labour and materials prevented your Company from earning the reasonable return, which might have seemed assured under these favourable business conditions. Although gross earnings in 1946 were 21 per cent. higher than in 1928, the previous peacetime record year, net earnings were 61 per cent. below the 1928 net and represented a return of only 1.6 per cent. on the investment in railway property, compared with 5 per cent. in that earlier peak year. It is necessary to go back to certain years of depression, or to the early days of your Company's operations when gross earnings were well below \$100 million, to find

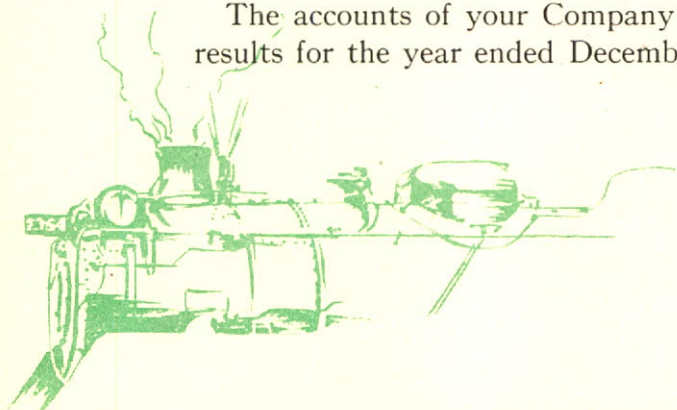


net earnings as low as those realized in 1946; and there is no record of an equally low rate of return on investment.

Canadian freight rates, lower than those charged in any other country in the Commonwealth, in Europe or in America, have remained virtually unchanged for more than two decades. Throughout this long period freight revenues earned by your Company have averaged less than one cent per ton of freight hauled one mile. On the other hand, progressive increases have occurred in wage rates and material prices. As a result of such increases since 1939, the costs of operation in 1946 were \$57 million greater than they would have been had prices and wages remained at their 1939 levels. Because this situation imperils the ability of the railway industry to continue to provide modern and efficient transportation service, your Company in association with the other railways in Canada has filed with the appropriate regulatory bodies an application for authority to make a general increase of 30 per cent. in freight rates, with some exceptions.

Fixed charges were reduced for the sixth consecutive year, being \$1,059,016 less than in 1945. There was an improvement of \$7,672,837 in income from investments and in the earnings from ocean steamships and other subsidiary operations. After providing for the four per cent. dividend on Preference Stock, the earnings per share on Ordinary Stock from all sources amounted to \$1.53 compared with \$1.98 in 1945 and \$2.21 in 1944.

The accounts of your Company show the following results for the year ended December 31, 1946:



INCOME ACCOUNT

Gross Earnings	\$292,495,828
Working Expenses (including taxes)	271,652,778
Net Earnings	<u>\$ 20,843,050</u>
Other Income	22,779,794
	<u>\$ 43,622,844</u>
Fixed Charges	18,488,113
Net Income	<u>\$ 25,134,731</u>
Dividends:	
Preference Stock	
2% paid August 1, 1946	\$ 2,278,841
2% payable February 1, 1947 ..	2,278,841
	<u>\$ 4,557,682</u>
Ordinary Stock	
2% paid October 1, 1946	6,700,000
	<u>11,257,682</u>
Balance transferred to Profit and Loss Account	<u>\$ 13,877,049</u>

PROFIT AND LOSS ACCOUNT

Profit and Loss Balance December 31, 1945	\$262,772,828
Final dividend of 3 per cent. on the Ordinary Stock, declared from the earnings of the year 1945, paid March 30, 1946	<u>10,050,000</u>
	\$252,722,828
Balance of Income Account for the year ended December 31, 1946	\$ 13,877,049
Portion of steamship insurance recoveries representing compensation for increased cost of tonnage replacement	2,016,572
Net exchange credit in respect of expenditures for new steamships and steamship insurance recoveries	<u>708,746</u>
	\$ 16,602,367
Deduct:	
Miscellaneous—Net Debit	198,223
	<u>16,404,144</u>
Profit and Loss Balance December 31, 1946, as per Balance Sheet	<u>\$269,126,972</u>

(The final dividend of 3 per cent. on the Ordinary Stock for the year 1946 which was declared subsequent to the end of the year and is payable March 31, 1947, amounting to \$10,050,000, is not deducted from the Profit and Loss balance shown above.)

RAILWAY OPERATIONS

GROSS EARNINGS in 1946 decreased \$23,613,530 or 7.5% from 1945. The year's gross earnings have been exceeded only three times, in 1943, 1944 and 1945.

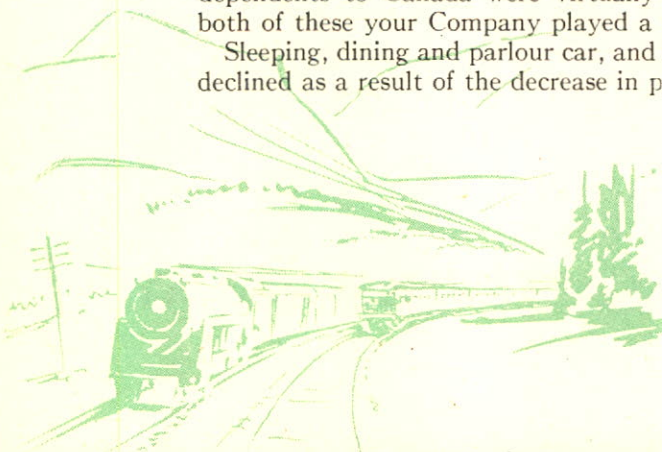
FREIGHT EARNINGS accounted for \$218,550,608, or 75% of the gross earnings. They were \$9,156,878 or 4.0% lower than in 1945. Exclusive of earnings from grain and grain products, freight earnings were 3.2% higher than in the previous year, with the increases being recorded principally for such commodities as coal, paper, petroleum, fruits and vegetables and for less-than-carload traffic.

Grain handlings on your Company's western lines were 116 million bushels less than in 1945, and gross earnings from grain and grain products decreased \$14,532,736. As a result of the early exhaustion of the relatively meager supplies of wheat provided by the 1945 crop, it was not until the 1946 crop had been harvested that a large volume of wheat became available for movement. By the time the crop began to move there was also an increased movement in other traffic, which put a heavy strain on the available equipment.

The volume of revenue freight traffic handled totalled 23,479 million ton miles, a decrease of 3,772 million from 1945. Revenue received for hauling one ton a distance of one mile averaged 0.93¢. compared with 0.83¢. last year. The average haul decreased by 40.3 miles. These two changes were the result, mainly, of the smaller proportion of grain carried.

PASSENGER EARNINGS accounted for \$45,380,645, or 15.5% of the gross earnings. This represented a decline of \$11,473,652, or 20.2 %, compared with 1945. The sharp drop in revenues was due principally to the disappearance of military traffic. Civilian travel was at a very high level, and a capacity business was handled during the tourist season. During the year the repatriation of Canadian service personnel and the movement of their dependents to Canada were virtually completed. In handling both of these your Company played a major role.

Sleeping, dining and parlour car, and news service revenues all declined as a result of the decrease in passenger business.



A total of 15,583,990 passengers was carried an average distance of 136.4 miles, a decrease from the previous year of 12.2% in the number of passengers and of 25.3 miles in the average passenger journey. Revenue received per passenger mile averaged 2.12 cents compared with 1.97 cents in 1945.

WORKING EXPENSES decreased \$8,402,246, or 3.0%. Wages and salaries increased \$7,281,196. There was a decrease in total hours worked but an increase of 2 cents per hour granted to maintenance of way employees effective February 15, 1946, a further 8 cents to such employees and 10 cents to all other employees effective June 1, 1946, added approximately \$8,700,000 to the year's expenses. Expenses for material and supplies, taxes and other items decreased \$15,683,442.

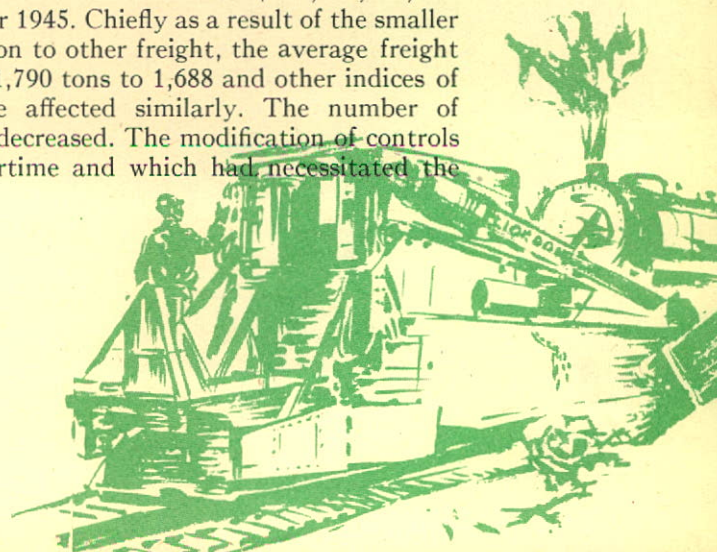
The ratio of working expenses to gross earnings was the highest on record, with expenses absorbing 93 cents of every dollar earned for railway service.

MAINTENANCE EXPENSES totalled \$109,691,600 for the year, of which \$50,492,658 was for the maintenance of way and structures and \$59,198,942 for the maintenance of equipment. These expenses were \$8,463,608 less than in 1945 and represented 37% of gross earnings, the same ratio as in the previous year.

Track maintenance included the placing of 1,021,942 untreated and 2,144,095 treated ties, the laying of 511 single track miles of new rails and application of 16.7 track miles of rock ballast. The Sperry detector car, which is used in the examination of rails for hidden defects, covered 8,687 miles of track.

Complete overhauls were given to 729 locomotives, 26,489 freight train cars and 1,169 passenger train cars. At the end of the year, 91.6% of locomotives and 97.8% of freight cars were in serviceable condition, compared with 90.9% and 97.4% respectively at the end of 1945.

TRANSPORTATION EXPENSES amounted to \$117,897,963, an increase of \$3,172,602 over 1945. Chiefly as a result of the smaller volume of grain, in relation to other freight, the average freight train load declined from 1,790 tons to 1,688 and other indices of operating efficiency were affected similarly. The number of passengers per train also decreased. The modification of controls which existed during wartime and which had necessitated the



full loading of cars, the increase in less-than-carload shipments, the higher proportion of short haul traffic and the widespread adoption of a shorter work week in industry all combined to impair operating performance and, with the increase in wage rates and material prices, to raise the cost of transportation in relation to revenues. Transportation expenses thus took 40 cents of every railway dollar as compared with 36 cents in 1945. The falling-off in operating performance may be seen from the following comparisons:

	1946	1945
Freight Train Load—gross tons.....	1,688	1,790
Freight Car Load—tons.....	30.8	33.7
Gross Ton Miles per Freight Train Hour.....	27,187	28,873
Freight Car Movement—miles per car day.....	44.3	48.2
Freight Train Speed—miles per hour.....	16.1	16.1
Passenger Miles per Train Mile.....	105	138

RAILWAY TAX ACCRUALS amounted to \$16,877,264, including a provision of \$13,000,000 for Dominion Income and Excess Profits Taxes, which was \$5,200,000 less than the 1945 provision.

NET EARNINGS amounted to \$20,843,050, a decrease of \$15,211,284, or 42.2%, from 1945. They represented only 7% of gross earnings compared with 11% in 1945, 14% in 1944 and an average of 18% in the decade prior to the war.

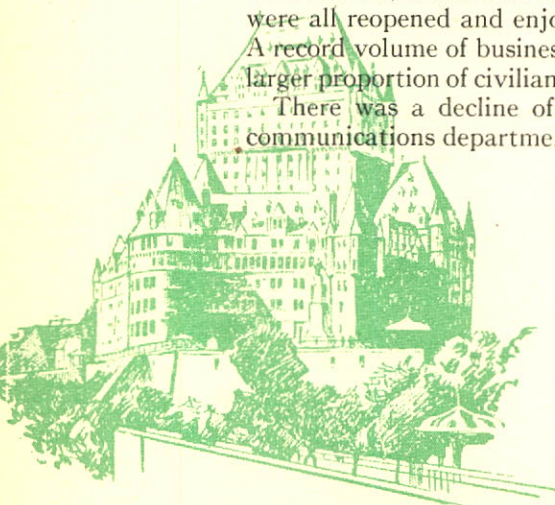
OTHER INCOME

Other Income amounted to \$22,779,794, an increase of \$7,672,837.

The net earnings of ocean and coastal steamships increased by \$2,139,299, due principally to the additional earnings derived from the five new Beaver ships which came into service during the year.

While net earnings of your hotels in 1945 were the highest up to that time, net earnings in 1946 were \$383,800 higher. The summer resort hotels, which had remained closed during the war years, were all reopened and enjoyed the largest trade in their history. A record volume of business was done at your city hotels and the larger proportion of civilian business resulted in improved earnings.

There was a decline of \$214,671 in the net earnings of the communications department, due wholly to increased wage rates.



Dividend income increased by \$3,795,097. Dividends received from The Consolidated Mining and Smelting Company of Canada, Limited amounted to \$7,150,625, and were at the rate of \$4.25 per share, compared with \$2.50 in 1945. An initial dividend of \$2.50 per share was declared on the Minneapolis, St. Paul & Sault Ste. Marie Railroad Company Voting Trust Certificates from which your Company received \$897,855.

Net income from interest, exchange, separately operated properties and miscellaneous sources increased \$1,521,456. There was an increase of \$373,237 in interest received on Dominion of Canada Bonds, and a decrease of \$304,930 in interest received on farm land contracts. Exchange account showed an improvement of \$882,475 as a result of the revaluation of the Canadian dollar in relation to the currencies of the United Kingdom and the United States.

FIXED CHARGES

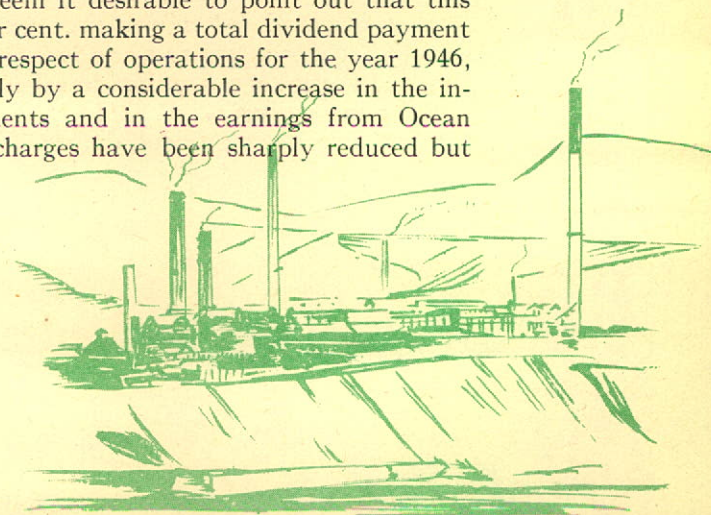
Fixed charges amounted to \$18,488,113, a decrease of \$1,059,016 from 1945. The principal item contributing to this reduction was the redemption of the Thirty Year 4½% Collateral Trust Gold Bonds for which provision had been made at the end of 1945.

The present level of fixed charges is more than \$8 million below the 1938 peak.

NET INCOME AND DIVIDENDS

Net income for the year was \$25,134,731, from which dividends aggregating \$21,307,682 were declared. These comprised two half-yearly dividends on the Preference Stock of 2 per cent. each and dividends on the Ordinary Stock of 2 per cent. paid October 1, 1946, and of 3 per cent. payable March 31, 1947. At the time of the declaration of the last mentioned dividend, your Directors issued a statement which concluded as follows:

"The Directors deem it desirable to point out that this dividend of three per cent. making a total dividend payment of five per cent. in respect of operations for the year 1946, is made possible only by a considerable increase in the income from investments and in the earnings from Ocean Steamships. Fixed charges have been sharply reduced but



net revenue also was substantially reduced because of the impact of large wage increases established in 1946 and because of increases in cost of materials and supplies. Without the assistance from investments and Steamships the payment of a five per cent. dividend for the year would have been impossible. The Directors wish to add that future dividend action must necessarily depend upon a material improvement in railway revenues."

LAND ACCOUNTS

During the year 212,170 acres of agricultural lands were sold for \$1,141,102, an average price of \$5.37 per acre. Included in this total were 175 acres of irrigated land, sold at an average price of \$28.83 per acre.

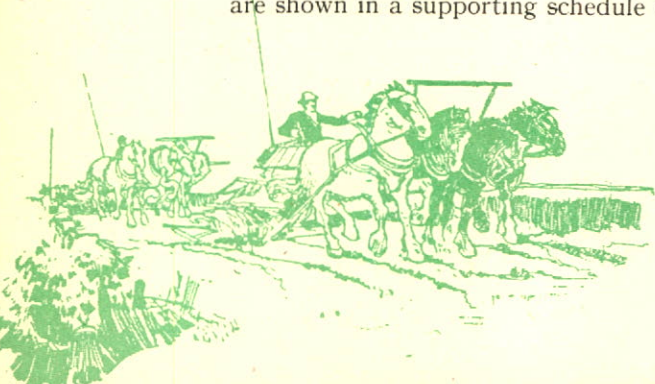
Cash received on land account totalled \$5,469,187, including \$705,090 derived from the leasing of coal, gas and petroleum rights. Disbursements for land and irrigation expenses, including taxes, were \$1,442,670 leaving net cash receipts of \$4,026,517, a decrease of \$2,353,948 from the previous year.

Certain concessions to contract holders were again approved for the crop year 1946-1947. The assistance to holders of farm contracts since this policy was inaugurated in 1932 has amounted to \$26,852,140.

An agreement was reached with the Province of Alberta, under which your Company transferred to the Province the Lethbridge-Coaldale System, which is expected to form part of a much larger irrigation project known as "Lethbridge Southeast" sponsored jointly by the Provincial and Dominion Governments. In consideration of the assumption by the Province of Alberta, from January 1, 1946, of your Company's contractual obligations to water users, your Company contributed \$100,000 towards the initial cost of maintenance and operation of the system.

BALANCE SHEET

Total assets at the end of the year amounted to \$1,622,445,668, an increase of \$16,550,036 during the year. There was a net increase of \$31,459,345 in Property Investment, details of which are shown in a supporting schedule to the Balance Sheet.



Effective November 7, 1946, Boston & Maine Railroad and your Company consummated with The Connecticut and Passumpsic Rivers Railroad Company the arrangements authorized in Resolution adopted at the Annual Meeting in 1945. As part of the transactions, there has been included under the caption "Improvements on Leased Property" \$3,336,212 representing cost to your wholly owned subsidiary, Newport & Richford Railroad Company, of 69 miles of railway extending from Wells River, Vermont, to the international boundary.

During the year, certain machine tools which had been used for the production of munitions, and several extensions to buildings which had been made to your Angus Shops in Montreal, were purchased from the Government for \$801,114.

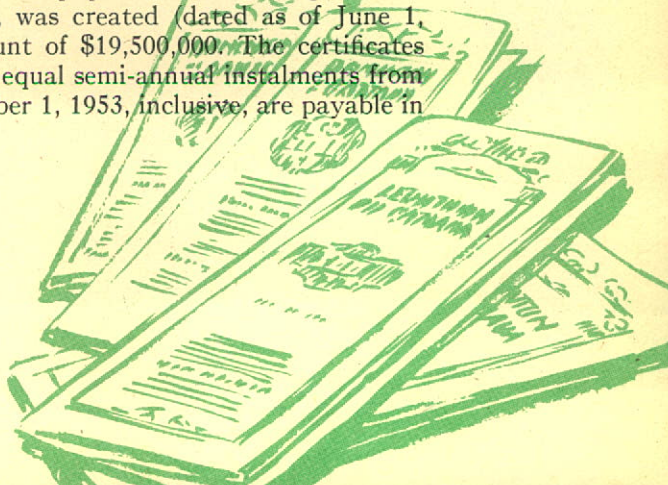
Expenditures on five Beaver steamships, now in service, totalled \$8,541,793, and on steamships under construction \$1,551,515, payments being made from the Steamship Replacement Fund. The Great Lakes Steamship "Alberta", which had been in service since 1884, was sold during the year.

Current assets amounted to \$139,681,085 and current liabilities were \$48,717,809. Liability for payrolls included \$6,342,322 covering the retroactive portion of the wage awards which was paid on January 13, 1947.

FINANCE

In February, in accordance with the terms of the Lease covering the 3% Equipment Trust, Series F, 1943, the total amount outstanding was prepaid. A new Equipment Trust, designated as Series F, 1943 (Refunding), was created (dated as of February 1, 1946) in the principal amount of \$12,600,000. The certificates issued thereunder mature in equal semi-annual instalments from August 1, 1946, to February 1, 1953, inclusive, are payable in United States currency, and bear interest at 1½% per annum.

In June, in accordance with the terms of the Lease covering the 2½% Equipment Trust, Series G, 1944, the total amount outstanding was prepaid. A new Equipment Trust, designated as Series G, 1944 (Refunding), was created (dated as of June 1, 1946) in the principal amount of \$19,500,000. The certificates issued thereunder mature in equal semi-annual instalments from December 1, 1946, to December 1, 1953, inclusive, are payable in



United States currency, and bear interest at $1\frac{1}{2}\%$ per annum.

The net amount of serial equipment obligations paid during the year was \$9,564,000.

During the year, \$540,000 4% Collateral Trust Bonds, maturing July 2, 1949, were purchased and cancelled.

The 5% First Mortgage Bonds of your subsidiary, The Algoma Eastern Railway Company, amounting to \$2,226,500 maturing March 1, 1961, have been called for redemption on March 1, 1947, under the terms of the indenture. At December 31, your Company had placed this subsidiary in funds to meet the call, which funds have been deposited with the Trustee for the issue.

The foregoing transactions resulted in a reduction in funded debt amounting to \$10,104,000, the discharge of a contingent liability of \$2,226,500, and a reduction of \$943,000 in the amount of Consolidated Debenture Stock pledged as collateral.

PENSIONS

Charges to working expenses for pensions amounted to \$6,995,794. This includes your Company's proportion of the pension allowances paid during the year, levies in respect of employees covered by the United States Railroad Retirement Act, and a special contribution of \$1,750,000 to the Pension Trust Fund to assist in meeting the anticipated peak period of pension costs.

During the year, 1,795 employees were retired on pension and 461 pensions were terminated by death and other causes. At the end of the year there were 8,042 on the pension payroll; distribution by ages was as follows:

Under 60 years of age.....	420	
From 60 to 64 years of age, inclusive.....	1,038	
From 65 to 70 years of age, inclusive.....	4,228	
Over 70 years of age.....	2,356	
		<hr/> 8,042

WAGE NEGOTIATIONS

In July, 1946, the National War Labour Board, acting on applications by the organized employees of Canadian railways for wage increases, referred the issues back to the railways and their employees for negotiation. During the course of these



negotiations your Company found it necessary to withdraw because the existing level of its earnings made it impossible to offer any increase in wage rates unless compensatory increases in revenues were assured. However, the Canadian National and the Ontario Northland Railways concluded agreements with their employees granting them an increase of 10 cents per hour, or its equivalent, retroactive to June 1, 1946, and this agreement was approved by the National War Labour Board. Your Company's employees subsequently made an application to the Board for an order directing the same wage adjustments as had been provided for in the approved agreement.

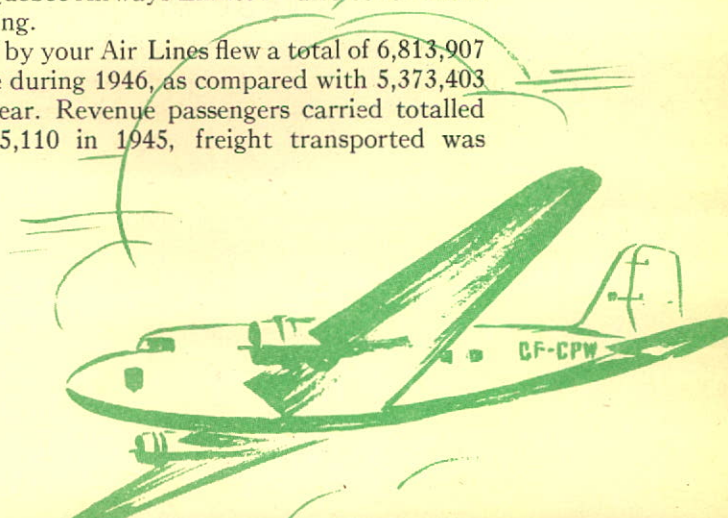
In its presentation to the Board your Company recognized the long established practice of maintaining parity of wage rates for employees of the principal steam railways, but urged its inability to pay increased wages and the need for deferring any increases until effective steps could be taken with the approval of the competent authorities to provide the additional revenues required.

Notwithstanding these submissions your Company was directed to increase the wages of its employees by 10 cents per hour, or its equivalent, retroactive to June 1, 1946. The effect of this order was to add an annual charge of approximately \$15,300,000 to working expenses on the basis of 1946 employment.

CANADIAN PACIFIC AIR LINES, LIMITED

The general improvement in traffic which your Air Lines experienced in the latter half of 1945 continued in the current year with the result that operations showed a net profit, after depreciation, of \$372,371. This compares with a loss of \$308,066 in the previous year. The important factors in this improved showing were the continuance of greater mining activities throughout the country and the increased operations of the Survey Department. The improvement in the results of the subsidiary company—Quebec Airways Limited—also contributed to the favourable showing.

The aircraft operated by your Air Lines flew a total of 6,813,907 miles in revenue service during 1946, as compared with 5,373,403 miles in the previous year. Revenue passengers carried totalled 175,461 as against 125,110 in 1945, freight transported was



16,514,741 pounds compared with 9,419,556, and mail amounted to 1,722,733 pounds, as compared with 1,253,537 pounds. The 1946 operating ratio was 95.3%, as against 107.3% in 1945.

During the year, an arrangement was consummated whereby all engine overhaul work will eventually be performed by your Company at its railway shops in Winnipeg. Further economy has been effected through the centralization at Stevenson Field in Winnipeg of airframe overhaul work previously performed at four points—Winnipeg, Edmonton, Montreal and Lac à la Tortue.

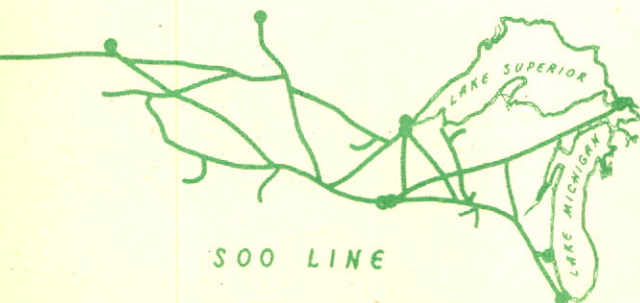
The Air Transport Board is engaged in conducting an examination of existing air licences in Canada. Representations have been made to the Board to protect the interests of your Air Lines in those licences now operated and which it is considered should be retained. In addition, application has been made for licences to operate certain additional routes.

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

On March 13, 1946, a dividend of \$2.50 per share was declared on the capital stock of this Company, amounting to \$1,797,760. In declaring the dividend, consideration was given to the earnings for the sixteen month period from September 1, 1944 (date of reorganization), to December 31, 1945.

Gross earnings of the Soo Line in 1946 amounted to \$27,970,148, a decrease of \$575,382 from the previous year. Freight earnings were sustained to some extent by the authorization of an interim increase of approximately 6.5% in freight rates, effective July 1, 1946. Working expenses were \$26,952,080, an increase of \$1,210,784 attributable wholly to increased wage rates. Net earnings of \$1,018,068 were \$1,786,166 less than in 1945. Net income for the year, after provision for fixed and contingent charges, amounted to \$154,188 compared with \$1,754,433 in the previous year.

The Wisconsin Central Railway continues to be operated by the Soo Line as agent for the Trustees of the Wisconsin Central. A plan of reorganization which contemplates a continuance of the present operating arrangements was issued by the examiner of



the Interstate Commerce Commission under date of August 1, 1946. Exceptions to the plan have been filed with the Commission by the parties in interest, and it is expected that the Commission's plan will be issued in the near future.

THE DULUTH, SOUTH SHORE & ATLANTIC RAILWAY COMPANY

The plan of reorganization referred to in the last Annual Report was filed by the South Shore Company with the Interstate Commerce Commission and the Court, and a public hearing was held before one of the Commission's examiners commencing July 22, 1946. His report had not been issued at the end of the year.

The changes affecting earnings and working expenses referred to in connection with the Soo Line are also reflected in the results of the South Shore. Gross earnings were \$67,152 higher than in 1945, but working expenses increased by \$466,518. Net earnings for the year were only \$10,775, a decrease of \$399,366 from the previous year.

IMPROVEMENTS AND SERVICES

The service to patrons in branch line territory in certain areas of Western Canada has been improved by the inauguration of a system of co-ordinated rail and highway truck transportation. The first operations in the Province of Alberta began late in 1945 and six services are now available out of Lethbridge, three out of Red Deer and one from Bassano to Patricia. In Manitoba, operations were commenced in March, 1946, and trucks are now operated from Brandon to five surrounding towns. In British Columbia your Company operates four truck routes on the mainland. During the year all the outstanding capital stock of the Island Freight Service Limited, the largest truck system on Vancouver Island, was purchased by your Company. The services provided by Island Freight will be co-ordinated with those of Canadian Pacific rail lines and steamships.

The installation of automatic block signals for a further 242 miles of single track added to the safety, capacity and efficiency of operation of important sections of your Company's line. The



principal installations were on the main line between Smiths Falls and Chalk River and between Calgary and Lake Louise.

New rolling stock placed in service during the year included 36 Pacific type steam locomotives and 14 Diesel switching locomotives; 623 steel box and 395 50-ton refrigerator cars. Two of the Pacific type delivered to your Company were the first Canadian locomotives to be equipped with all-welded boilers instead of the standard riveted construction.

In order to assist in meeting the need for modern passenger equipment, 26 passenger cars were remodelled in your Company's Angus Shops. Certain new features are being tested in these rebuilt cars for possible inclusion in new equipment when such can be purchased.

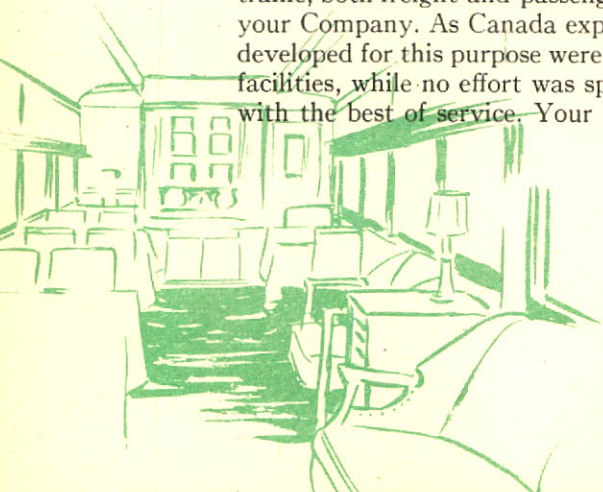
Construction of a new stores building at Glen Yard for your Company's sleeping, dining and parlour car department permits better servicing of the sleeping, dining and parlour cars leaving Montreal.

Improvements made in the course of general repair work on equipment included installation of air conditioning equipment in 22 passenger cars and application of roller bearings to 28 passenger units; installation of modern braking systems on 1,154 freight cars, application of cast steel truck sides to 925 freight cars and of stabilized trucks to 72 refrigerator cars.

Your Company has been represented in the Orient since 1886 and with the re-opening during the year of your offices at Hong Kong and Shanghai, a valued connection was re-established. Considerable repairs were necessary at the office buildings in both cities. Pending the resumption of Canadian Pacific Steamship service between the Pacific Coast of Canada and the Orient, the staffs in your two agencies are engaged in handling enquiries concerning passenger travel and freight traffic.

DEVELOPMENT OF TRAFFIC

The need for continuous development of potential sources of traffic, both freight and passenger, has always been recognized by your Company. As Canada expanded industrially, the new areas developed for this purpose were serviced by appropriate traekage facilities, while no effort was spared to provide existing business with the best of service. Your Company's Steamship operations



brought new traffic to the rails. The agricultural branch, always keeping abreast of the latest developments in the production of better crops, seeds and livestock, made substantial contributions to the growth of sound agricultural methods. Passenger traffic was encouraged through the building of hotels and the publicising of Canada's advantages as a vacation land. During war-time, however, these activities were necessarily curtailed.

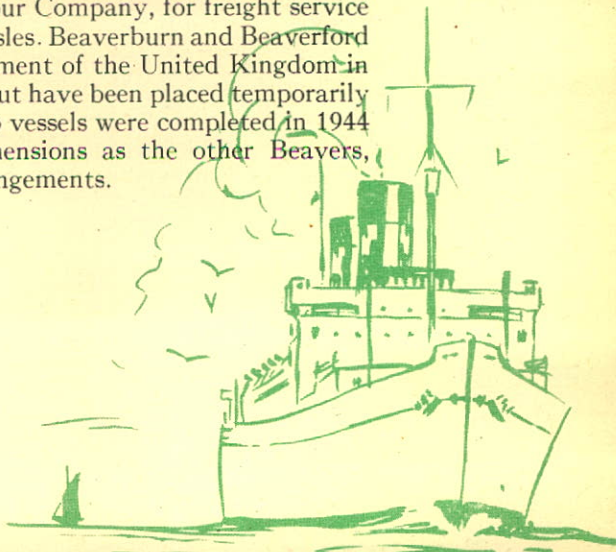
With the end of the war active solicitation of traffic was again undertaken and efforts have been redoubled in your Company's programme of assisting in the development of industry and natural resources. The results in 1946 were noteworthy; 665 manufacturing, warehousing and distributing concerns established or expanded their activities on your lines. A total of 34.7 track miles of sidings was constructed for the use of 242 of these businesses. Production of raw materials was commenced by 35 new firms on your Company's lines while 39 industries previously established expanded their production materially.

On the north shore of Lake Superior, where only a short while ago there was wilderness, extensive plants have been built for the production of chemical pulps, and such new towns as Marathon and Terrace Bay have been founded. These communities and their plants are served exclusively by your Company.

A large-scale advertising programme, featuring full-colour advertisements in leading American periodicals as well as a wide coverage of Canadian newspapers and magazines, again directed attention to your Company's complete transportation services. As has been noted, the tourist season brought capacity business to both your rail lines and your hotels.

STEAMSHIP REPLACEMENT

During 1946 your Company's ocean fleet was augmented by the addition of five ships—Beaverdell, Beaverglen, Beaverlake, Beaverburn and Beaverford. The first three of these ships were specially designed and built for your Company, for freight service between Canada and the British Isles. Beaverburn and Beaverford were purchased from the Government of the United Kingdom in May for operation in the Pacific but have been placed temporarily in the Atlantic service. These two vessels were completed in 1944 and have the same general dimensions as the other Beavers, but different cargo handling arrangements.



The five Beavers combined carried 216,339 tons of cargo to the United Kingdom during the year and returned with 64,252 tons.

The Beavercove, fourth of the Atlantic Beavers, was launched July 16, 1946, and is expected to commence service in the early summer of 1947.

The Duchess of Richmond, to be renamed Empress of Canada, is undergoing overhaul and reconditioning after extensive service as a troop transport. She is expected to return to the Atlantic service in May, 1947, with added speed and improved accommodation for the comfort of passengers.

The Duchess of Bedford has been retained by the Admiralty in transport service longer than had been anticipated but her release is expected at an early date. She will undergo overhaul and reconditioning before returning to regular service.

On August 2, 1946, the Princess Kathleen returned to Victoria, B.C., for overhaul and reconditioning, after five years of war service as a troopship. It is expected she will resume regular operations in the British Columbia Coast Steamship Service in the early summer.

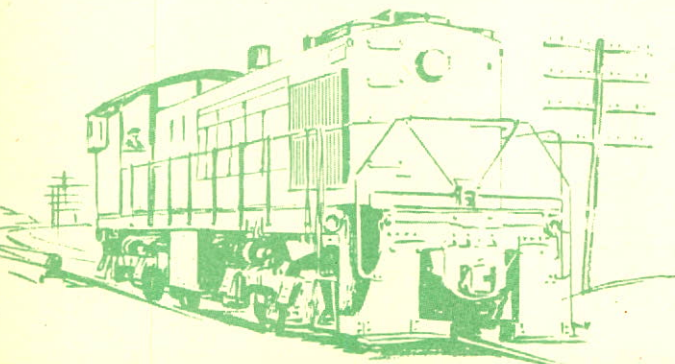
At the end of the year, preliminary work on the two passenger steamships being constructed for the British Columbia Coast Service was well in hand. They are to be delivered in 1948.

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 \$1,514,798.

Your approval will be requested also for capital appropriations of \$30,489,352 for the year 1947. The principal items are as follows:

Additions and betterments to stations, freight sheds, coaling and watering facilities and engine houses.....	\$ 924,702
Replacement and enlargement of structures in permanent form.	214,838
Tie plates, rail anchors and miscellaneous roadway betterments.	1,118,763
Replacement of rail in main line and branch line tracks with heavier section.....	134,422
Installation of automatic signals.....	792,206
Additional terminal and side track accommodation.....	196,567
Additions and betterments to shop machinery.....	148,617
New rolling stock.....	25,158,898
Additions and betterments to rolling stock.....	1,106,267
Additions and betterments to communication facilities.....	620,818



The appropriations for new rolling stock make provision for 13 Diesel switching locomotives, 3,345 freight train cars and 26 passenger train 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	19,939	12.96	159	.57	9.29
United Kingdom and other British	12,191	43.18	27,260	97.22	59.19
United States	28,057	37.68	71	.25	26.59
Other Countries	3,296	6.18	550	1.96	4.93
	<u>63,483</u>		<u>28,040</u>		

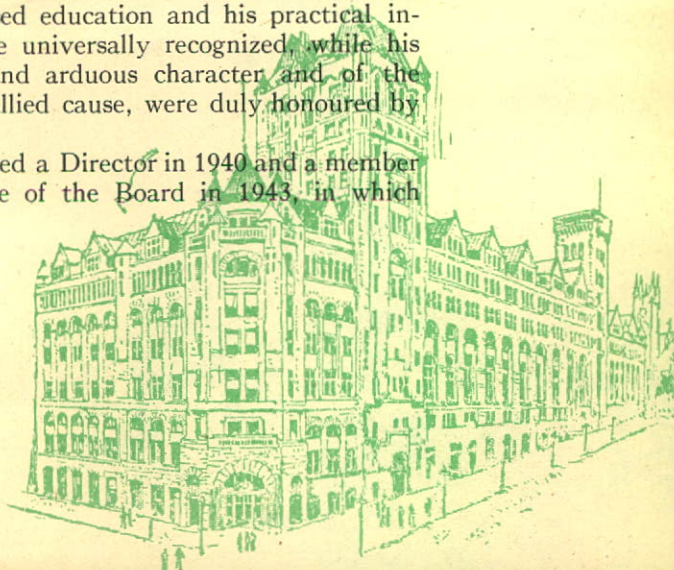
DIRECTORATE

It is with deep regret that your Directors record the loss by death during the year of two members of the Board, Mr. Morris W. Wilson, C.M.G., in May and Mr. Aimé Geoffrion, K.C., in October.

Mr. Wilson, who was appointed a Director in 1935 and a member of the Executive Committee of the Board in 1941, was liberally endowed with a shrewd and balanced sense of judgment and he gave to the affairs of your Company the full benefit of his wise counsel.

As a banker, Mr. Wilson early established an international reputation and his executive administration of the great financial institution with which he was associated represented a noteworthy contribution to the national life of Canada. His untiring labours on behalf of advanced education and his practical interest in social welfare were universally recognized, while his war services, of a special and arduous character and of the highest importance to the Allied cause, were duly honoured by his King and country.

Mr. Geoffrion was appointed a Director in 1940 and a member of the Executive Committee of the Board in 1943, in which



capacities he rendered greatly valued service to your Company. He was closely associated with the direction of a number of important industrial enterprises.

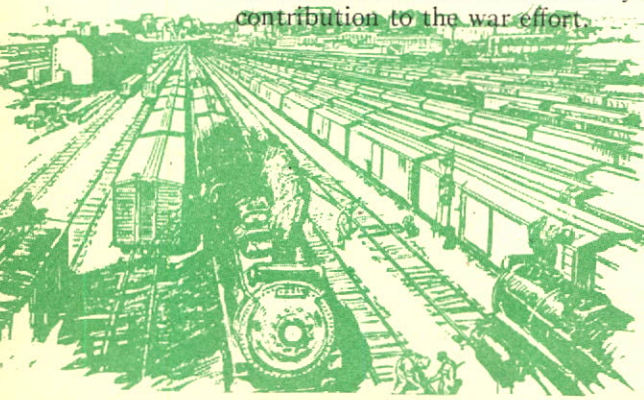
For a period of many years Mr. Geoffrion was eminent in the legal profession; in the many cases of national and international importance in which he was engaged his brilliant qualities were fully apparent and after his passing high tribute was paid to him as a distinguished jurist by His Majesty's Privy Council in London.

Mr. Louis L. Lang was appointed a Director to fill the vacancy created by the death of Mr. Selwyn G. Blaylock and Mr. George A. Walker, K.C., Vice-President of your Company, was appointed a member of the Board to succeed Mr. Morris W. Wilson, C.M.G. Hon. F. Philippe Brais, C.B.E., K.C., was appointed a Director in place of the late Mr. Aimé Geoffrion, K.C.

Mr. George A. Walker, K.C., and Hon. Charles A. Dunning, P.C., were appointed members of the Executive Committee of the Board to succeed Mr. D. C. Coleman, C.M.G., resigned, and the late Mr. Aimé Geoffrion, K.C., respectively.

After the close of the year Mr. D'Alton C. Coleman, C.M.G., Chairman and President of your Company, expressed his desire to retire from active service on February 1, 1947. His request was acceded to with regret. Mr. Coleman resigned, as of the date named, as a member of the Executive Committee but your Directors are gratified that he continues as a member of the Board.

Your Directors record that for a period of more than forty-seven years Mr. Coleman, by his sound and practical knowledge of railway operation, and his executive ability, rendered outstanding service to your Company. After occupying successively higher positions in the Operating Department of the railway from those of junior grade to that of Vice-President of Western Lines, he was called to Headquarters in Montreal in 1934 as Vice-President of the Company and appointed a Director and a member of the Executive Committee of the Board. In 1942 he was elected President and, in the following year, Chairman and President of your Company; in these capacities he was responsible for the chief directional control of your Company's vast and varied contribution to the war effort.



Mr. W. M. Neal, C.B.E., Vice-President of your Company and a Director and member of the Executive Committee of the Board, was elected Chairman and President effective February 1, 1947.

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

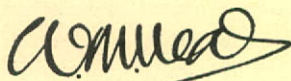
Mr. Edwin G. Baker
Mr. Louis L. Lang
Mr. Howard P. Robinson
Mr. Robert C. Stanley

OFFICERS AND EMPLOYEES

The work of the Safety Bureau and Safety Agents has been intensively directed toward prevention of train accidents and personal injuries. Further improvements were made in the operation of the Employees' Suggestion Bureau, as a result of which a substantial increase in suggestions was obtained, with a corresponding gain in the ideas it was found possible to use.

Before concluding this Report your Directors again desire to record their sincere appreciation of the continued loyal co-operation of officers and employees in all branches of the service, which is so essential to your Company's welfare.

For the Directors,



President.

MONTREAL, MARCH 10, 1947.



GENERAL BALANCE SHEET

ASSETS

PROPERTY INVESTMENT:

Railway, Rolling Stock and Inland Steamships	\$ 855,594,043
Improvements on Leased Property	105,533,177
Stocks and Bonds—Leased Railway Companies	134,170,939
Ocean and Coastal Steamships	49,950,819
Hotel, Communication and Miscellaneous Properties	97,780,479

\$ 1,243,029,457

OTHER INVESTMENTS:

Stocks and Bonds—Controlled Companies	\$ 70,379,542
Miscellaneous Investments	46,805,482
Advances to Controlled and Other Companies	6,013,140
Mortgages Collectible and Advances to Settlers	1,346,430
Deferred Payments on Lands and Townsites	13,501,905
Unsold Lands and Other Properties	14,041,912
Unexpended Equipment Trust Deposit	5,614,623
Maintenance Fund	25,200,000
Insurance Fund	11,789,329
Steamship Replacement Fund	39,275,550

233,967,913

CURRENT ASSETS:

Material and Supplies	\$ 34,987,234
Agents' and Conductors' Balances	12,800,272
Miscellaneous Accounts Receivable	14,023,405
Dominion of Canada Securities	31,861,000
Cash	46,009,174

139,681,085

UNADJUSTED DEBITS:

Insurance Prepaid	\$ 247,983
Unamortized Discount on Bonds	4,556,321
Other Unadjusted Debits	962,909

5,767,213

\$ 1,622,445,668

**TO THE SHAREHOLDERS,
CANADIAN PACIFIC RAILWAY COMPANY:**

We have examined the above General Balance Sheet of the Canadian Pacific Railway Company for the year ending on that date and our records of the Company.

The records of the securities owned by the Company at December 31, 1947, were in the custody of its Treasurer and by certificates received from such depository.

In our opinion the General Balance Sheet, Income and Profit and Loss Statement, and Statement of Retained Earnings of the Company at December 31, 1947, so as to present fairly the financial position of the Company at that date according to the best of our information and the explanations given to us are correct.

Montreal, March 7, 1947.

ET, DECEMBER 31, 1946

LIABILITIES

CAPITAL STOCK:

Ordinary Stock.....	\$ 335,000,000	
Preference Stock—4% Non-cumulative.....	137,256,921	
		\$ 472,256,921

PERPETUAL 4% CONSOLIDATED DEBENTURE STOCK.....

	\$ 326,124,729	
Less: Pledged as collateral to bonds and equipment obligations.....	30,686,500	
		295,438,229

FUNDED DEBT.....

83,565,000

CURRENT LIABILITIES:

Pay Rolls.....	\$ 12,728,003	
Audited Vouchers.....	8,375,608	
Net Traffic Balances.....	3,387,007	
Miscellaneous Accounts Payable.....	8,496,302	
Accrued Fixed Charges.....	1,031,995	
Unmatured Dividend Declared.....	2,278,841	
Other Current Liabilities.....	12,420,053	
		48,717,809

DEFERRED LIABILITIES:

Dominion Government Unemployment Relief.....	\$ 1,447,223	
Miscellaneous.....	2,791,824	
		4,239,047

RESERVES AND UNADJUSTED CREDITS:

Maintenance Reserves.....	\$ 25,200,000	
Depreciation Reserves.....	302,224,698	
Investment Reserves.....	3,363,502	
Insurance Reserve.....	11,789,329	
Contingent Reserves.....	5,188,998	
Unadjusted Credits.....	6,024,992	
		353,791,519

PREMIUM ON CAPITAL AND DEBENTURE STOCK.....

34,458,562

LAND SURPLUS.....

60,851,609

PROFIT AND LOSS BALANCE.....

269,126,972

\$ 1,622,445,668

ERIC A. LESLIE,
Vice-President and Comptroller.

an Pacific Railway Company as at December 31, 1946, the Income
er related schedules, and have compared them with the books and

31, 1946, were verified by an examination of those securities which
positaries as were holding securities in safe custody for the Company.
oss Accounts and the other related schedules are properly drawn up
31, 1946, and the results of its operations for the year then ended,
nd as shown by the books of the Company.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

Canadian Pacific Railway Company

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CHANGES IN PROPERTY INVESTMENT

RAILWAY, ROLLING STOCK AND INLAND STEAMSHIPS:		
Balance at December 31, 1945.....		\$841,233,381
Additions and Betterments:		
Railway.....	\$ 6,066,290	
Rolling Stock.....	13,995,938	
Inland Steamships.....	115,661	
	\$20,177,889	
Retirements and Transfers..... Cr.	5,817,227	
		14,360,662
Total December 31, 1946, as per Balance Sheet.....		\$ 855,594,043
IMPROVEMENTS ON LEASED PROPERTY:		
Balance at December 31, 1945.....		\$ 99,262,694
Additions and Betterments:		
Railway.....	\$ 6,392,025	
Retirements and Transfers..... Cr.	121,542	
	6,270,483	
Total December 31, 1946, as per Balance Sheet.....		105,533,177
STOCKS AND BONDS—LEASED RAILWAY COMPANIES:		
Balance at December 31, 1945.....		\$133,481,665
Acquired:		
\$154,000 First Mortgage Bonds, The Lake Champlain and St. Lawrence Junction Railway Company.....	\$ 106,680	
\$329,000 First Mortgage Bonds, Newport and Richford Railroad Company.....	329,000	
3,500 shares Capital Stock, The Lake Champlain and St. Lawrence Junction Railway Company; 5000 shares Capital Stock, Massawippi Valley Railway Company; 6,400 shares Capital Stock, The Montreal and Atlantic Railway Company; 7,000 shares Capital Stock, Newport and Richford Railroad Company; 1,069 shares Common Stock, Ontario and Quebec Railway Company.....	253,594	
	689,274	
Total December 31, 1946, as per Balance Sheet.....		134,170,939
OCEAN AND COASTAL STEAMSHIPS:		
Balance at December 31, 1945.....		\$ 40,091,223
Additions and Betterments:		
Ocean.....	\$10,093,308	
Coastal.....	23,350	
	\$10,116,658	
Retirements and Transfers..... Cr.	257,062	
		9,859,596
Total December 31, 1946, as per Balance Sheet.....		49,950,819
HOTEL, COMMUNICATION AND MISCELLANEOUS PROPERTIES:		
Balance at December 31, 1945.....		\$ 97,501,149
Additions and Betterments:		
Hotels.....	\$ 53,551	
Communications.....	969,598	
	\$ 1,023,149	
Retirements and Transfers..... Cr.	743,819	
		279,330
Total December 31, 1946, as per Balance Sheet.....		97,780,479
PROPERTY INVESTMENT DECEMBER 31, 1946, as per Balance Sheet.....		\$1,243,029,457

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>		\$ 75,819,621

Canadian Pacific Railway Company

STOCKS AND BONDS—LEASED RAILWAY COMPANIES—Continued

		Par Value or Principal Amount
<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%	154,000
† 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%	2,613,000
† Capital Stock.....		700,000
MASSAWIPPI VALLEY RAILWAY COMPANY		
† Capital Stock.....		500,000
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>		\$141,744,134

Annual Report for the Year 1946

STOCKS AND BONDS—LEASED RAILWAY COMPANIES—Concluded

		Par Value or Principal Amount
<i>Brought forward</i>		\$141,744,134
NEWPORT AND RICHFORD RAILROAD COMPANY		
† First Mortgage Bonds	4%	329,000
† 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	\$134,170,939	
Total		\$159,175,574

†Denotes complete ownership.

Canadian Pacific Railway Company

STOCKS AND BONDS—CONTROLLED COMPANIES

		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—1,200,000 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.....		50,000
CENTRAL TERMINAL RAILWAY COMPANY		
† Capital Stock.....		2,000,000
THE CHATEAU FRONTENAC COMPANY		
† Capital Stock.....		280,000
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.....		813,750
LORD NELSON HOTEL COMPANY, LIMITED		
† Cumulative Preference Stock.....		350,000
† Common Stock—No Par Value—1,600 shares....	Cost	4,500
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
† Voting Trust Certificates—No Par Value— 359,268 shares.....	Cost	16,106,348
THE NEW BRUNSWICK COLD STORAGE COMPANY, LIMITED		
† Cumulative Preference Stock.....		25,000
† Ordinary Stock.....		50,000
<i>Carried forward</i>		\$ 63,838,303

STOCKS AND BONDS—CONTROLLED COMPANIES—Concluded

		Par Value or Principal Amount
<i>Brought forward</i>		\$ 63,838,303
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		
† First Mortgage Income Bonds.....	5%	2,545,000
† 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.....	\$70,379,542	Total
		<u>\$ 69,028,557</u>

†Denotes complete ownership.

*The properties of these Companies are being operated by Trustees 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.....	5%	15,765,000
Capital Stock.....		312,500
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%	12,905,000
Capital Stock.....		250,000
VANCOUVER HOTEL COMPANY LIMITED		
Capital Stock.....		75,000
WISCONSIN CENTRAL RAILWAY COMPANY		
First and Refunding Mortgage Bonds.....	5%	8,441,415
OTHER INVESTMENTS.....	Cost	5,342,103
Cost.....	\$46,805,482	Total
		<u>\$ 47,956,318</u>

CAPITAL AND DEBENTURE STOCKS

ORDINARY STOCK:				Total as per
Issued: 13,400,000 shares—\$25 Par Value				Balance Sheet
				<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	\$ 22,849,000	\$326,124,729
Less: Pledged as collateral.	—	7,837,500	22,849,000	30,686,500
	<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 OBLIGATIONS:					
*Equipment Trust	3%	Feb. 1, 1937	Serially to	Canadian	\$ 2,948,000
Series "D"	2½%	Feb. 1, 1937	Jan. 31, 1952	United States	2,948,000
Equipment Trust			Serially to		
Series "E"	3%	June 1, 1938	May 31, 1953	Canadian	5,544,000
Equipment Trust			Serially to		
Series "F" (Refunding)	1¾%	Feb. 1, 1946	Feb. 1, 1953	United States	11,700,000
Equipment Trust			Serially to		
Series "G" (Refunding)	1½%	June 1, 1946	Dec. 1, 1953	United States	18,200,000
Equipment Trust			Serially to		
Series "H"	2%	Oct. 1, 1945	Oct. 1, 1955	United States	18,000,000
**COLLATERAL TRUST BONDS:					
Convertible Fifteen Year Bonds	4%	July 2, 1934	July 2, 1949	Canadian	10,700,000
(Conversion privilege has terminated)					
Convertible Fifteen Year Bonds	3½%	Feb. 15, 1936	Feb. 15, 1951	Canadian	6,400,000
(Conversion privilege has terminated)					
Thirty Year Bonds	3½%	Nov. 1, 1944	Nov. 1, 1974	United States	7,125,000
				Total	<u>\$ 83,565,000</u>

*Secured in part by pledge of Perpetual 4% Consolidated Debenture Stock aggregating, in principal amount, \$1,474,000.

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

DEPRECIATION RESERVES

	Balance December 31, 1945	Additions	Deductions	Balance December 31, 1946
Road.....	\$ 96,734,529	\$ 7,238,700	\$ 1,005,177	\$102,968,052
Rolling Stock.....	139,006,926	14,402,428	4,080,673	149,328,681
Steamship.....	28,115,284	2,104,587	535,393	29,684,478
Hotel and Other..	17,671,484	2,680,968	108,965	20,243,487
	<u>\$281,528,223</u>	<u>\$ 26,426,683</u>	<u>\$ 5,730,208</u>	<u>\$302,224,698</u>

LAND SURPLUS ACCOUNT

Land Surplus December 31, 1945.....		\$ 61,771,203
Land and townsite sales.....	\$ 2,618,811	
Miscellaneous earnings.....	1,012,221	
		<u>3,631,032</u>
		\$ 65,402,235
DEDUCT:		
Land and irrigation expenses.....	\$ 876,268	
Taxes.....	566,402	
Inventory value of lands sold.....	2,097,919	
Land contracts cancelled.....	\$ 1,376,530	
Less: Inventory value of lands reacquired.....	<u>366,493</u>	
		<u>1,010,037</u>
		4,550,626
Land Surplus December 31, 1946, as per Balance Sheet.....		<u>\$ 60,851,609</u>

**CONTINGENT LIABILITIES IN RESPECT OF SECURITIES OF
LEASED RAILWAY COMPANIES**

DESCRIPTION	RATE	PRINCIPAL OUTSTANDING	NATURE OF OBLIGATION
ATLANTIC AND NORTH-WEST RAILWAY COMPANY			
First Mortgage Redeemable Debenture Stock, maturing January 1, 1957.	4%	\$6,326,667	Guarantee of principal.
THE CALGARY AND EDMONTON RAILWAY COMPANY			
Consolidated Debenture Stock, terminable January 1, 2002.....	4%	5,458,940	Guarantee and assumption of payment of principal upon expiry of lease (January 1, 2002) or in alterna- tive, 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 matur- ity.
QUEBEC CENTRAL RAILWAY COMPANY			
Second Mortgage Debenture Stock, maturing January 1, 1963.....	3½%	1,644,933	Guarantee of principal in favour of Trustees.
Third Mortgage Bonds, maturing January 1, 1963.....	5%	1,644,933	Guarantee of principal in favour of Trustees.

The amounts of the above contingent liabilities are stated in Canadian currency, those payable in currencies other than Canadian having been converted at par of exchange.

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

**CONTINGENT LIABILITIES IN RESPECT OF SECURITIES OF
CONTROLLED COMPANIES**

DESCRIPTION	RATE	PRINCIPAL OUTSTANDING	NATURE OF OBLIGATION
AROOSTOOK VALLEY RAILROAD COMPANY			
First and Refunding Mortgage Bonds, maturing July 1, 1961.....	4½%	\$ 455,832*	Guarantee of interest.
First and Refunding Mortgage Bonds, Series "A," maturing August 1, 1957	5½%	280,500†	Guarantee of interest.
*Includes \$318,985 held in Sinking Fund and \$2,435 held in the Treasury.			
†Includes \$80,000 held in the Treasury.			
LORD NELSON HOTEL COMPANY, LIMITED			
First Mortgage Sinking Fund Bonds, maturing November 1, 1947.....	4%	600,000	Guarantee of interest.

OTHER CONTINGENT LIABILITIES

DESCRIPTION	RATE	PRINCIPAL OUTSTANDING	NATURE OF OBLIGATION
MINNEAPOLIS, ST. PAUL & SAULT STE. MARIE RAILWAY COMPANY*			
Second Mortgage Bonds, dated to mature January 1, 1949.....	4%	\$3,421,450	Guarantee of interest.
First Refunding Mortgage Bonds, Series "B," dated to mature July 1, 1978.....	5½%	2,073,260	Guarantee of interest.
*Predecessor of Minneapolis, St. Paul & Sault Ste. Marie Railroad Company.			

THE TORONTO, HAMILTON and BUFFALO RAILWAY COMPANY.—Joint and several agreement with Michigan Central Railroad Company, New York Central Railroad Company and The Canada Southern Railway Company to make up to The Toronto, Hamilton and Buffalo Railway Company any interest which it is unable to provide on \$2,000,000† Consolidated Mortgage 4½% Bonds, Series "A," maturing August 1, 1966.

†Includes \$131,000 held in the Treasury.

TAXES.—Provision has been made for the estimated amount of all Dominion Income and Excess Profits Taxes payable but the final liability in connection therewith has not yet been determined.

The amounts of the above contingent liabilities are stated in Canadian currency, those payable in currencies other than Canadian having been converted at par of exchange.

GROSS EARNINGS

Freight.....	\$ 218,550,608
Passenger.....	45,380,645
Mail.....	4,173,769
Express.....	7,103,863
Sleeping, Parlor and Dining Car and Miscellaneous.....	17,286,943
Total.....	<u>\$ 292,495,828</u>

WORKING EXPENSES

Maintenance of Way and Structures.....	\$ 50,492,658
Maintenance of Equipment.....	59,198,942
Traffic.....	6,405,678
Transportation.....	117,897,963
Miscellaneous Operations.....	7,879,733
General.....	12,900,540
Railway Tax Accruals.....	16,877,264
Total.....	<u>\$ 271,652,778</u>

OTHER INCOME

Net earnings from ocean and coastal steamships.....	\$ 4,202,264
Net earnings from hotel, communication and miscellaneous properties.....	2,550,862
Dividends.....	8,563,152
Net income from interest, exchange, separately operated properties and miscellaneous sources.....	7,463,516
Total.....	<u>\$ 22,779,794</u>

FIXED CHARGES

RENT FOR LEASED ROADS:

The Alberta Railway and Irrigation Company.....	\$	1,230
The Algoma Eastern Railway.....		109,357
Atlantic and North-West Railway.....		253,067
The Calgary and Edmonton Railway.....		218,358
The Connecticut and Passumpsic Rivers Railroad.....		209,100
The Dominion Atlantic Railway.....		22,500
The Fredericton & Grand Lake Coal & Railway.....		48,888
The Glengarry and Stormont Railway.....		53,586
The Guelph Junction Railway.....		50,467
Joliette and Brandon Railway.....		5,000
The Lindsay, Bobcaygeon and Pontypool Railway.....		20,000
Massawippi Valley Railway.....		600
The Montreal and Atlantic Railway.....		30,007
New Brunswick Railway System.....		390,187
Ontario and Quebec Railway.....		1,234,348
Quebec Central Railway.....		626,897
The St. Lawrence and Ottawa Railway.....		38,933
The St. Stephen and Milltown Railway.....		2,050
The Southampton Railway.....		1,494
Tobique Railway.....		16,588
The Toronto, Hamilton and Buffalo Railway.....		12,672
The Winnipeg River Railway.....		1
	\$	3,345,330

INTEREST ON DEBENTURE STOCK AND FUNDED DEBT:

Perpetual 4% Consolidated Debenture Stock.....	\$	11,817,529
Equipment Obligations.....		1,447,240
Convertible Fifteen Year 4% Collateral Trust Bonds....		449,173
Convertible Fifteen Year 3½% Collateral Trust Bonds..		224,000
Thirty Year 3½% Collateral Trust Bonds.....		249,375
		14,187,317

GUARANTEED INTEREST:

Minneapolis, St. Paul & Sault Ste. Marie Railway Company Bonds...		178,159
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INTEREST ON UNFUNDED DEBT..... 24,100

AMORTIZATION OF DISCOUNT ON FUNDED DEBT..... 753,207

Total..... \$ 18,488,113

Canadian Pacific Railway Company

MILEAGE

CANADIAN PACIFIC RAILWAY:	Miles Operated	
New Brunswick District	841.3	
Quebec "	1,643.8	
Ontario "	1,423.6	
Algoma "	1,222.6	
Manitoba "	2,514.2	
Saskatchewan "	3,627.1	
Alberta "	3,107.3	
British Columbia "	1,994.2	
Dominion Atlantic Lines.....	304.1	
Quebec Central Lines.....	356.5	
	<hr/>	17,034.7
CANADIAN PACIFIC ELECTRIC LINES:		
The Grand River Railway	18.4	
The Lake Erie and Northern Railway.....	51.3	
	<hr/>	69.7
CONTROLLED RAILWAY COMPANIES:		
Aroostook Valley Railroad	32.1	
Minneapolis, St. Paul & Sault Ste. Marie Railroad.....	3,223.8	
The Duluth, South Shore and Atlantic Railway.....	515.5*	
Mineral Range Railroad.....	23.8*	
	<hr/>	539.3
		<hr/>
		3,795.2
Total		<hr/> <hr/>
		20,899.6

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

ROLLING STOCK

(Owned and Leased not including Electric Lines)

LOCOMOTIVES.....		1,785
FREIGHT TRAIN CARS:		
Box, Stock and Flat.....	61,541	
Refrigerator, Tank and Open-Top.....	11,585	
Conductors' Vans.....	1,203	
	<hr/>	74,329
PASSENGER TRAIN CARS:		
Coach and Tourist Sleeping.....	1,287	
Parlor, Standard Sleeping and Dining.....	544	
Baggage, Mail and Express.....	861	
	<hr/>	2,692*
BOARDING, TOOL AND OTHER WORK CARS.....		5,714

*Includes 20 cars in Toronto, Hamilton and Buffalo Line Service in which the Company owns 36.04% interest.

INLAND STEAMSHIPS

Assiniboia	Keewatin	Moyie
Athabasca	Kelowna	Naramata
Columbia	Manitoba	Rosebery
Granthall	Minto	Sicamous

Gross Tonnage..... 17,252

HOTELS

The Digby Pines.....Digby, N.S.	Royal Alexandra.....Winnipeg, Man.
Cornwallis Inn.....Kentville, N.S.	Saskatchewan.....Regina, Sask.
Lakeside Inn.....Yarmouth, N.S.	Palliser.....Calgary, Alta.
Algonquin.....St. Andrews, N.B.	Banff Springs.....Banff, Alta.
McAdam.....McAdam, N.B.	Chateau Lake Louise..Lake Louise, Alta.
Chateau Frontenac...Quebec, Que.	Emerald Lake.....Emerald Lake, B.C.
Royal York.....Toronto, Ont.	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

Beaverburn	Beaverford	Duchess of Bedford
Beavercove*	Beaverglen	Duchess of Richmond
Beaverdell	Beaverlake	Empress of Australia
		Empress of Scotland

Gross Tonnage:	
In service.....	137,315
Under construction*.....	9,901
Total.....	147,216

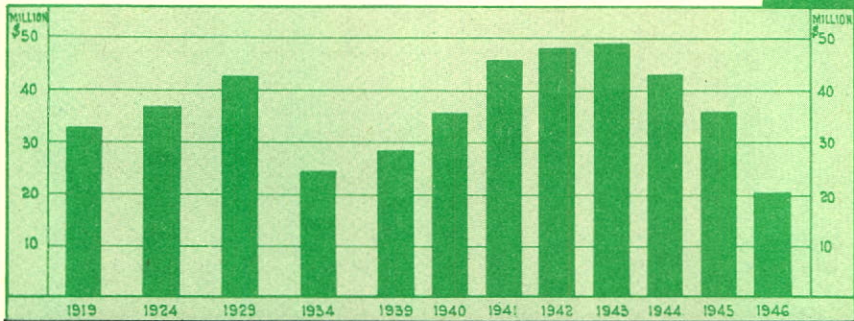
COASTAL STEAMSHIPS

Kyuquot	Princess Kathleen
Motor Princess	Princess Louise
Nanoose	Princess Maquinna
Princess Adelaide	Princess Mary
Princess Alice	Princess Norah
Princess Charlotte	Princess Victoria
Princess Elaine	Transfer No. 3
Princess Elizabeth	" 7
Princess Helene	" 8
Princess Joan	" 9

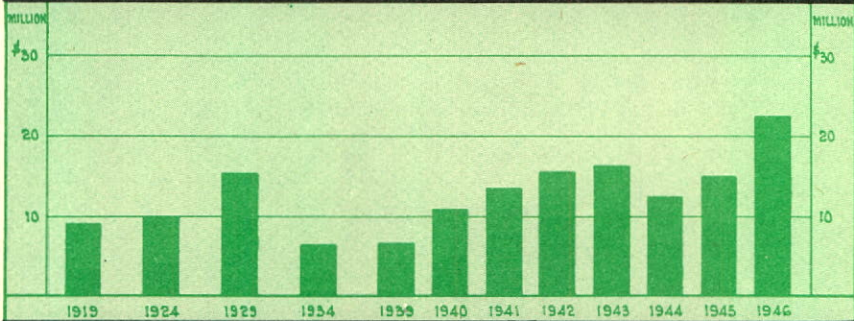
Gross Tonnage..... 54,253

Canadian Pacific Railway Company

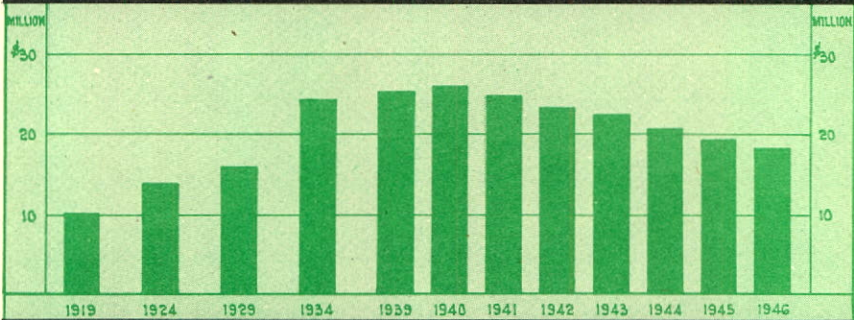
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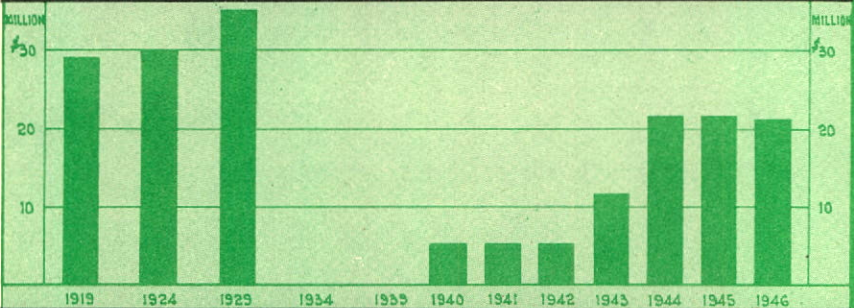
NET EARNINGS FROM RAILWAY OPERATIONS



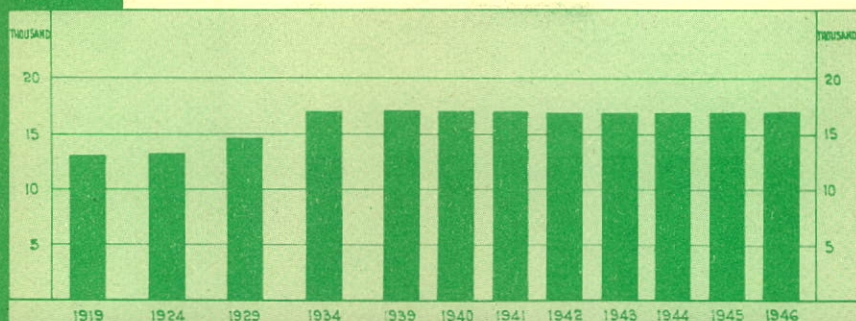
OTHER INCOME



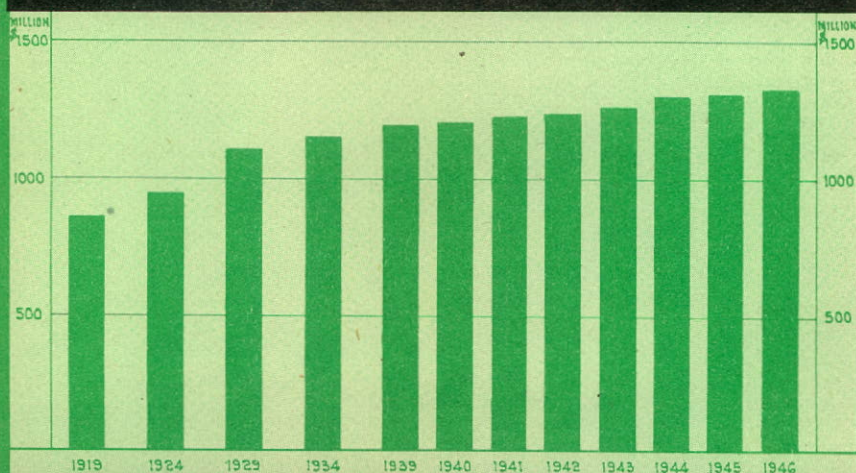
FIXED CHARGES



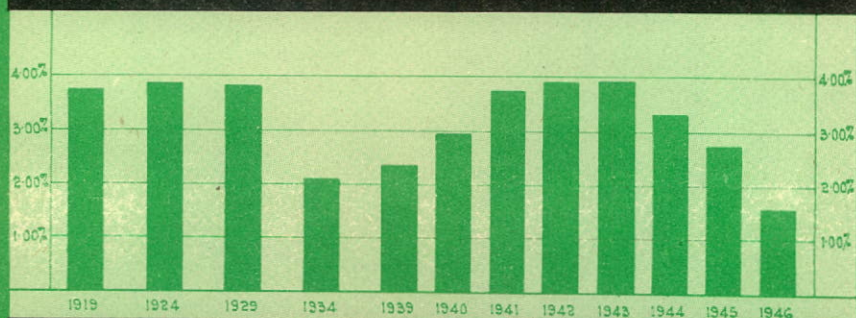
DIVIDENDS ON PREFERENCE AND ORDINARY STOCK



MILEAGE OPERATED



INVESTMENT IN RAILWAY PROPERTY*



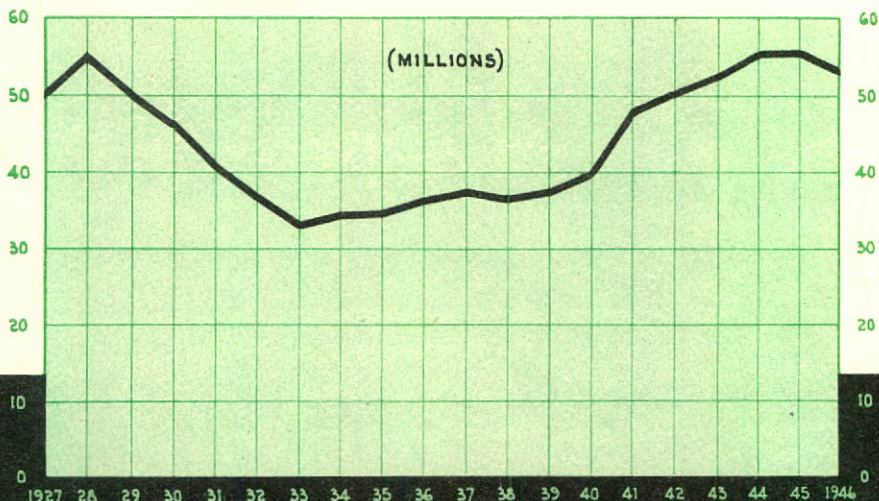
RATE OF RETURN ON INVESTMENT IN RAILWAY PROPERTY*

*Investment in railway property comprises cost of owned and leased lines, rolling stock, inland steamships, cash on hand and stock of material and supplies.

TRANSPORTATION AND TRAFFIC STATISTICS

	Year 1946	Year 1945	Increase or Decrease	
			Amount or Number	Per Cent.
AVERAGE MILES OF ROAD OPERATED.....	17,036.9	17,029.2	7.7	—
TRAIN MILEAGE				
Freight Service.....	33,683,991	35,016,268	1,332,277	3.8
Passenger Service.....	20,230,251	20,794,392	564,141	2.7
Total Transportation Service.....	53,914,242	55,810,660	1,896,418	3.4
LOCOMOTIVE MILEAGE				
Freight Service.....	37,991,463	39,532,339	1,540,876	3.9
Passenger Service.....	21,172,758	21,705,459	532,701	2.5
Switching Service—Road and Yard.....	14,587,258	14,446,579	140,679	1.0
Total Transportation Service.....	73,751,479	75,684,377	1,932,898	2.6
CAR MILEAGE				
Freight				
Loaded.....	828,473,104	871,005,595	42,532,491	4.9
Empty.....	384,319,137	443,327,526	59,008,389	13.3
Caboose.....	36,238,869	38,242,671	2,003,802	5.2
Total.....	1,249,031,110	1,352,575,792	103,544,682	7.7
Passenger				
Coaches.....	54,098,006	61,912,360	7,814,354	12.6
Sleeping, Parlor and Observation.....	59,482,243	63,613,419	4,131,176	6.5
Dining.....	9,537,247	10,545,627	1,008,380	9.6
Other.....	58,971,543	57,343,331	1,628,212	2.8
Total.....	182,089,039	193,414,737	11,325,698	5.9
Total Transportation Service.....	1,431,120,149	1,545,990,529	114,870,380	7.4
GROSS TON MILEAGE				
Freight Service—Cars and Contents.....	53,887,046,000	59,750,001,000	5,862,955,000	9.8
Passenger Service—Cars only.....	13,137,579,000	14,106,236,000	968,657,000	6.9
Total Transportation Service.....	67,024,625,000	73,856,237,000	6,831,612,000	9.2

TRAIN MILEAGE—TOTAL TRANSPORTATION SERVICE



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TRANSPORTATION AND TRAFFIC STATISTICS—Continued

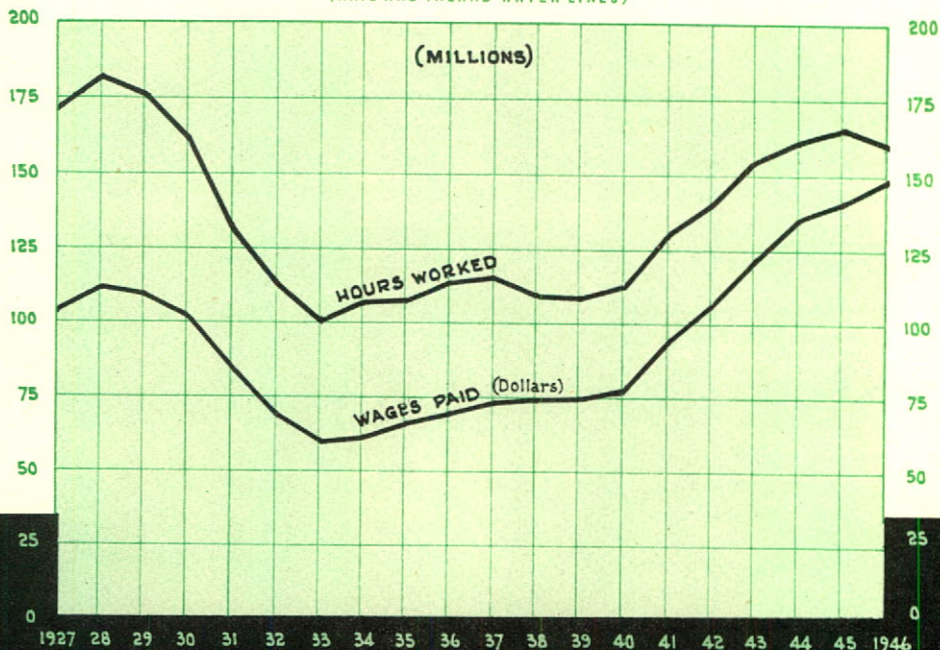
	Year 1946	Year 1945	Increase or Decrease	
			Amount or Number	Per Cent.
FREIGHT TRAFFIC—RAIL				
Freight revenue	\$217,538,535	\$226,747,679	\$9,209,144	4.1
Tons—Revenue freight	51,400,892	54,822,012	3,421,120	6.2
Tons—All freight	59,169,158	62,554,315	3,385,157	5.4
Ton miles—Revenue freight	23,479,533,000	27,251,533,000	3,772,000,000	13.8
Ton miles—All freight	25,503,062,000	29,382,648,000	3,879,586,000	13.2
AVERAGES PER MILE OF ROAD				
Freight revenue	\$12,769	\$13,315	\$546	4.1
Train miles	1,977	2,056	79	3.8
Total freight train car miles	73,313	79,427	6,114	7.7
Ton miles—Revenue freight	1,378,158	1,600,283	222,125	13.8
Ton miles—All freight	1,496,931	1,725,427	228,496	13.2
AVERAGES PER TRAIN MILE				
Freight revenue	\$6.46	\$6.48	\$0.02	.3
Loaded freight car miles	24.5	24.8	.3	1.2
Empty freight car miles	11.4	12.7	1.3	10.2
Car miles—All classes	37.2	38.7	1.5	3.9
Ton miles—Revenue freight	697.1	778.3	81.2	10.4
Ton miles—All freight	757.1	839.1	82.0	9.8
Gross ton miles	1,599.8	1,706.3	106.5	6.2
AVERAGES PER LOADED CAR MILE				
Freight revenue (cents)	26.3	26.0	.3	1.2
Ton miles—All freight	30.8	33.7	2.9	8.6
MISCELLANEOUS AVERAGES				
Revenue per ton of freight	\$4.23	\$4.14	\$0.09	2.2
Revenue per ton mile of freight (cents)	0.93	0.83	.10	12.0
Miles hauled—Revenue freight	456.8	497.1	40.3	8.1
Miles hauled—All freight	431.0	469.7	38.7	8.2
CLASSIFICATION OF REVENUE TONNAGE CARRIED				
Products of Agriculture	14,441,791	18,108,926	3,667,135	20.3
Animals and Animal Products	1,175,826	1,341,886	166,060	12.4
Products of Mines	16,431,804	16,912,022	480,218	2.8
Products of Forests	5,885,245	5,105,344	779,901	15.3
Manufactures and Miscellaneous	11,954,200	11,966,869	12,669	.1
Total Carload Traffic	49,888,866	53,435,047	3,546,181	6.6
All less carload freight	1,512,026	1,386,965	125,061	9.0
Total Carload and L.C.L. Traffic	51,400,892	54,822,012	3,421,120	6.2
PASSENGER TRAFFIC—RAIL				
Passenger revenue	\$44,999,771	\$56,491,985	\$11,492,214	20.3
Passenger service train revenue	\$62,271,049	\$74,875,047	\$12,603,998	16.8
Revenue passengers carried	15,583,990	17,740,684	2,156,694	12.2
Revenue passenger miles	2,126,066,000	2,868,906,000	742,840,000	25.9
AVERAGES PER MILE OF ROAD				
Passenger revenue	\$2,641	\$3,317	\$676	20.3
Passenger service train revenue	\$3,655	\$4,397	\$742	16.8
Train miles	1,187	1,221	34	2.7
Total passenger train car miles	10,688	11,358	670	5.9
Revenue passenger miles	124,792	168,470	43,678	25.9
AVERAGES PER TRAIN MILE				
Passenger revenue	\$2.22	\$2.72	\$0.50	18.4
Passenger service train revenue	\$3.08	\$3.60	\$0.52	14.4
Car miles—All classes	8.9	9.2	.3	3.3
Revenue passenger miles	105.1	138.0	32.9	23.8
Gross ton miles	649.4	678.4	29.0	4.3
AVERAGES PER CAR MILE—PASSENGER				
Passenger revenue (cents)	36.6	41.5	4.9	11.8
Revenue passenger miles	17.3	21.1	3.8	18.0
MISCELLANEOUS AVERAGES				
Revenue per passenger	\$2.89	\$3.18	\$0.29	9.1
Revenue per passenger mile (cents)	2.12	1.97	.15	7.6
Miles carried—Revenue passengers	136.4	161.7	25.3	15.6

Canadian Pacific Railway Company

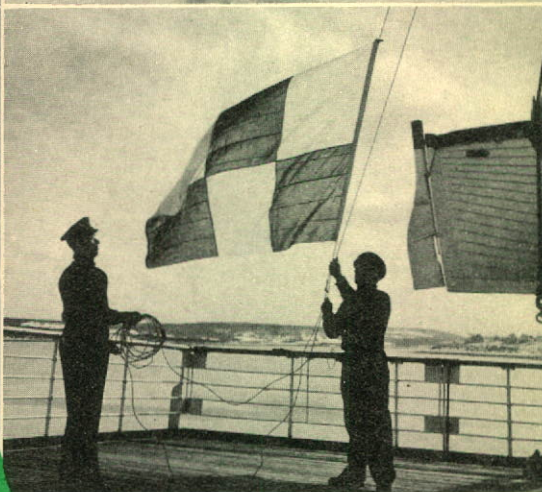
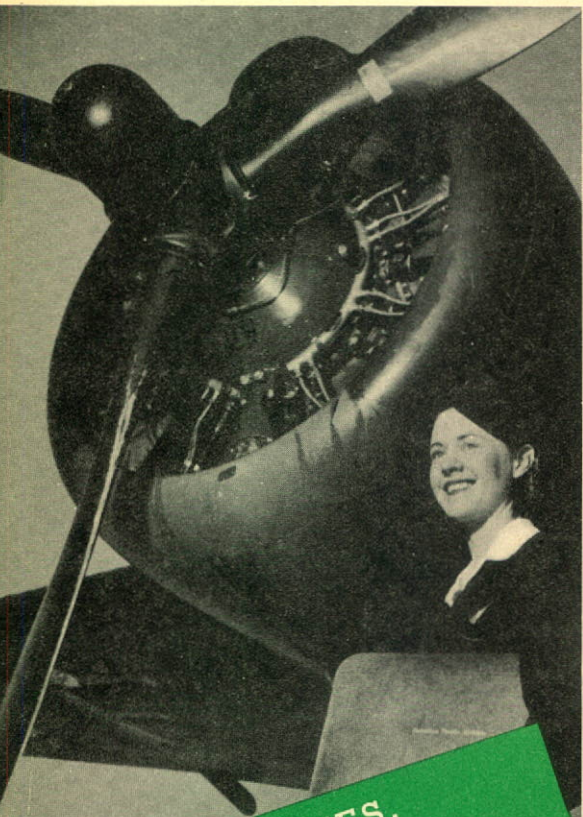
TRANSPORTATION AND TRAFFIC STATISTICS—Concluded

	Year 1946	Year 1945	Increase or Decrease	
			Amount or Number	Per Cent.
TOTAL TRAFFIC—RAIL				
AVERAGES PER MILE OF ROAD				
Train miles	3,164	3,277	113	3.4
Car miles	84,001	90,785	6,784	7.4
Operating revenues	\$17,205	\$18,559	\$1,354	7.3
Operating expenses	\$14,891	\$15,096	\$205	1.4
Net operating revenue	\$2,314	\$3,463	\$1,149	33.2
AVERAGES PER TRAIN MILE				
Operating revenues	\$5.44	\$5.66	\$0.22	3.9
Operating expenses	\$4.71	\$4.61	\$0.10	2.2
Net operating revenue	\$0.73	\$1.05	\$0.32	30.5
TOTAL TRAFFIC—RAIL AND INLAND WATER LINES				
Operating revenues	\$294,545,601	\$317,406,710	\$22,861,109	7.2
Operating expenses	\$254,775,514	\$258,121,827	\$3,346,313	1.3
Net operating revenue	\$39,770,087	\$59,284,883	\$19,514,796	32.9
Tax accruals, net of hire of equipment and joint facility rents	\$18,927,037	\$23,230,549	\$4,303,512	18.5
Net earnings	\$20,843,050	\$36,054,334	\$15,211,284	42.2
Per cent. operating expenses to operating revenues	86.50	81.32	5.18	6.4
Payroll charged operating expenses	\$140,874,155	\$133,592,959	\$7,281,196	5.5
Per cent. payroll to operating revenues	47.83	42.09	5.74	13.6
Per cent. payroll to operating expenses	55.29	51.76	3.53	6.8

HOURS WORKED BY AND WAGES PAID TO EMPLOYEES
(RAIL AND INLAND WATER LINES)

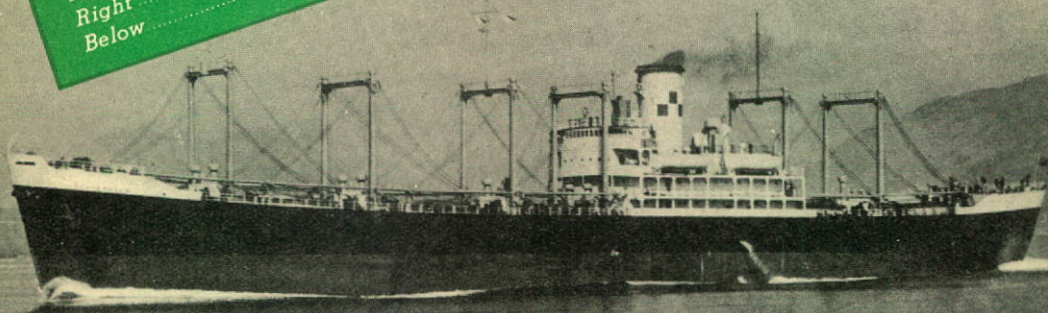


Annual Report for the Year 1946

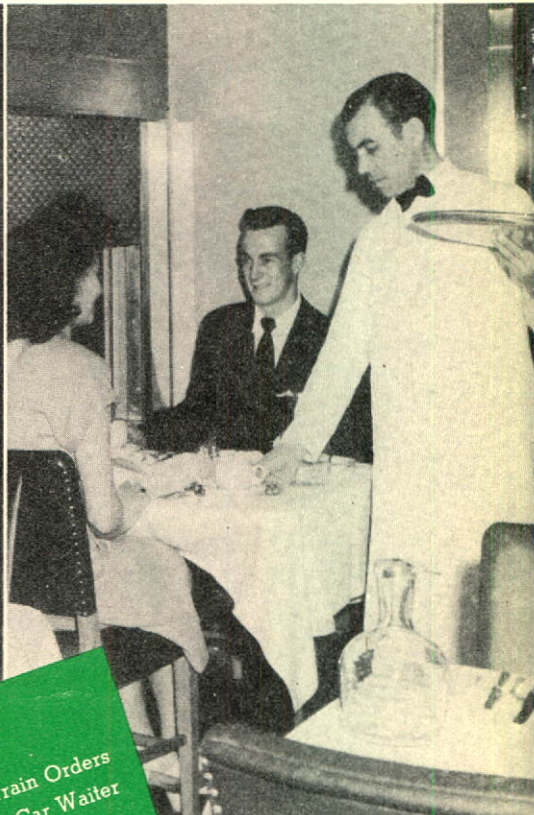


**AIRLINES,
STEAMSHIPS**

- Above Airline Stewardess
- Above Right Airliner in Flight
- Right Seaman Hoisting House Flag
- Below S.S. "Beaverglen"

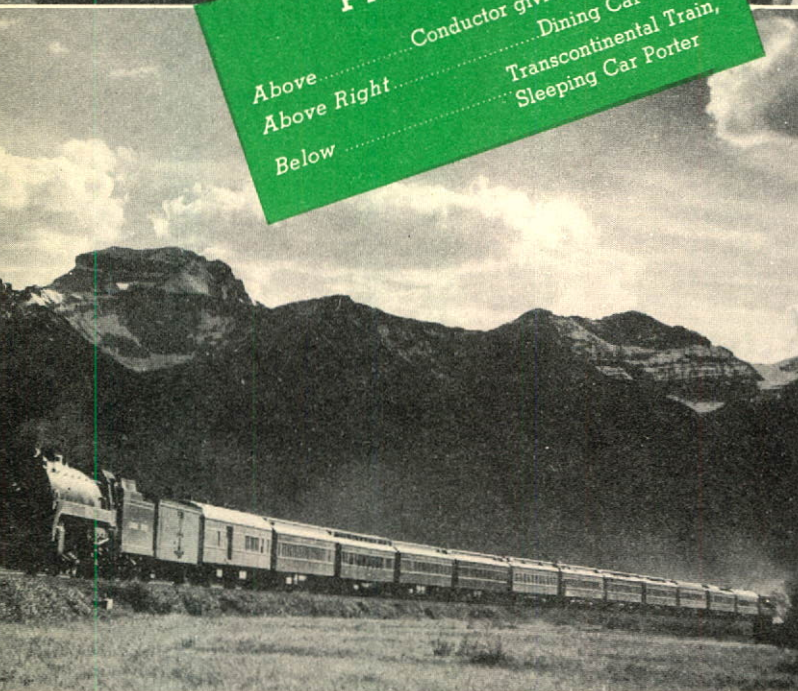


Canadian Pacific Railway Company

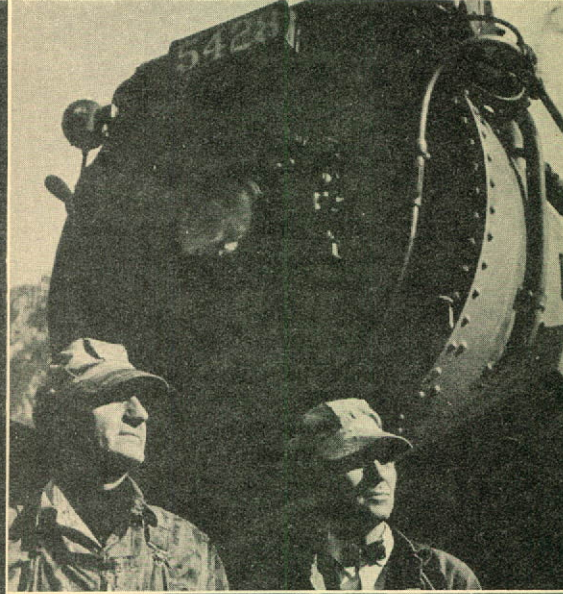
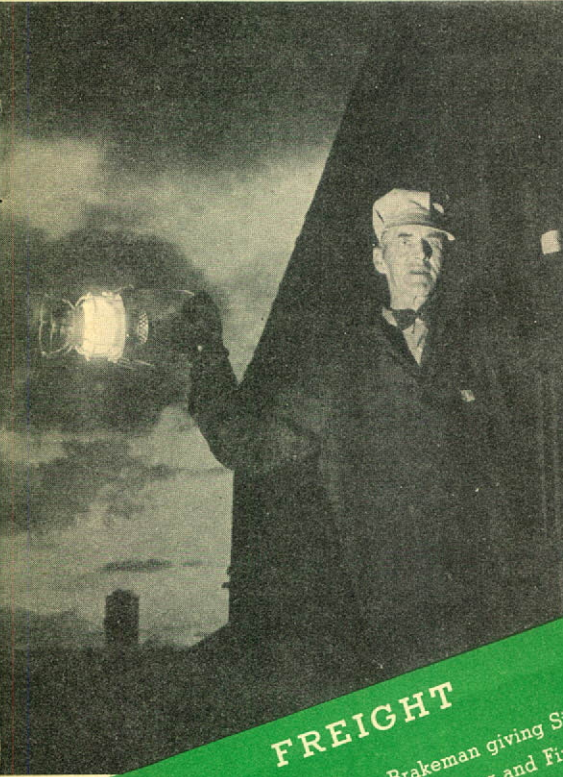


PASSENGER

- Above Conductor giving Train Orders
- Above Right Dining Car Waiter
- Below Transcontinental Train,
Sleeping Car Porter

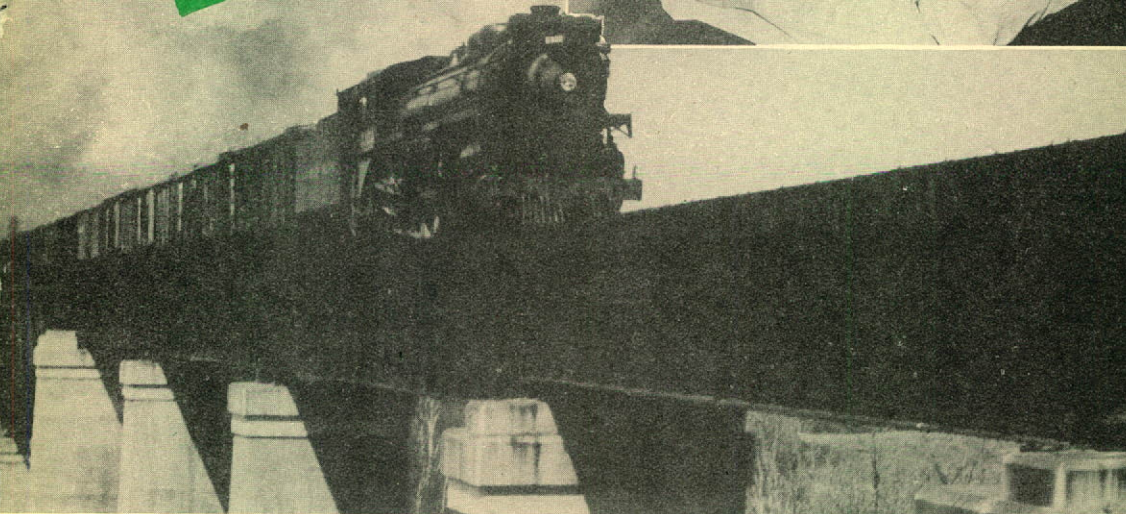
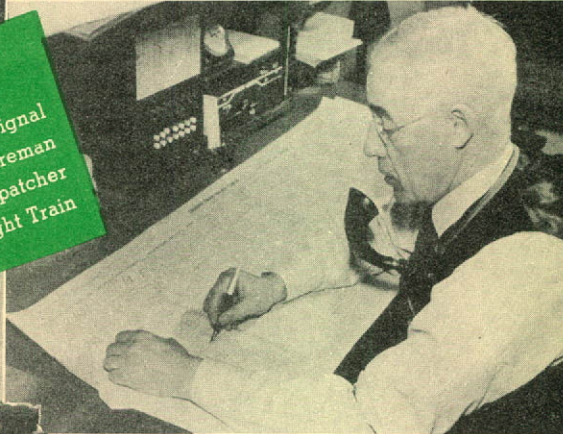


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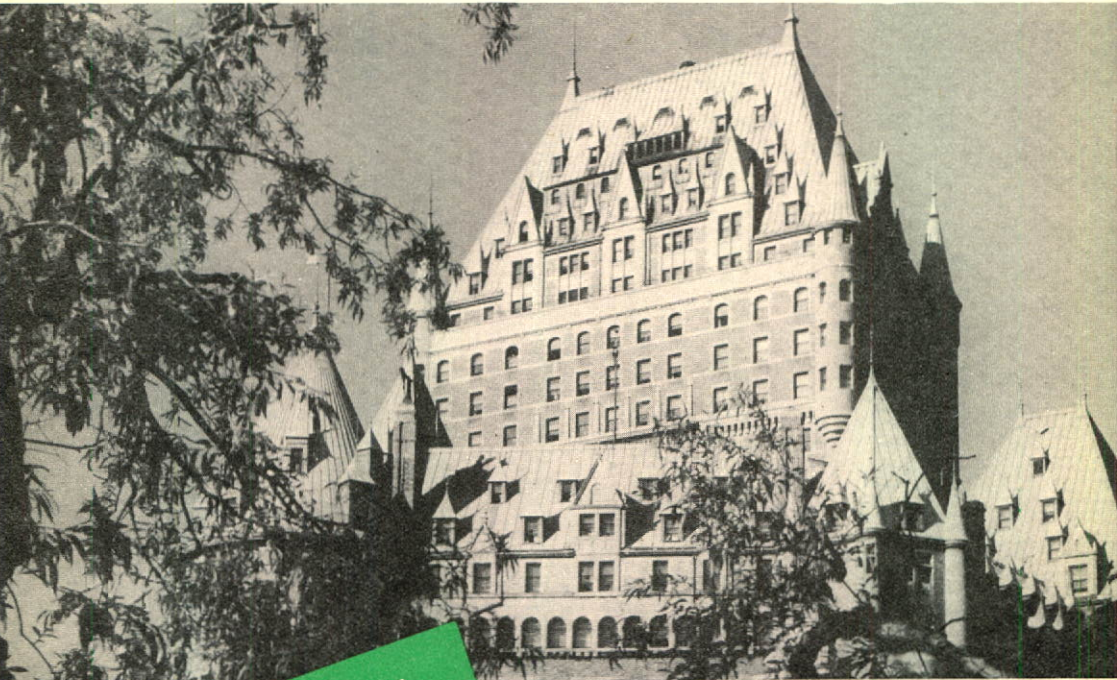


FREIGHT

- Above Brakeman giving Signal
- Above Right Engineer and Fireman
- Right Dispatcher
- Below Freight Train



Canadian Pacific Railway Company



**HOTELS, EXPRESS
COMMUNICATIONS**

Above Chateau Frontenac
Right Hotel Reservation Clerk
Below Express Deliveries;
Communications, Teletype Equipment



When You Travel

**CARRY CANADIAN PACIFIC EXPRESS
TRAVELLERS CHEQUES**

PACIFIC



JACK FISH CURVE

Pictured on the front cover is one of the Company's fast transcontinental freight trains taking the curve at Jack Fish, Ontario, on the line between Fort William and Sudbury.

For more than 100 miles in the vicinity of the Jack Fish Curve the Canadian Pacific line follows the rocky and often precipitous north shore of Lake Superior. The sheer side-hill rock cuts and the high retaining walls evidence the engineering difficulties which had to be overcome in building the line through this rugged country now noted for its grandeur and spectacular scenery.