

CONNAUGHT TUNNEL

Corporation
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Annual Report 1945

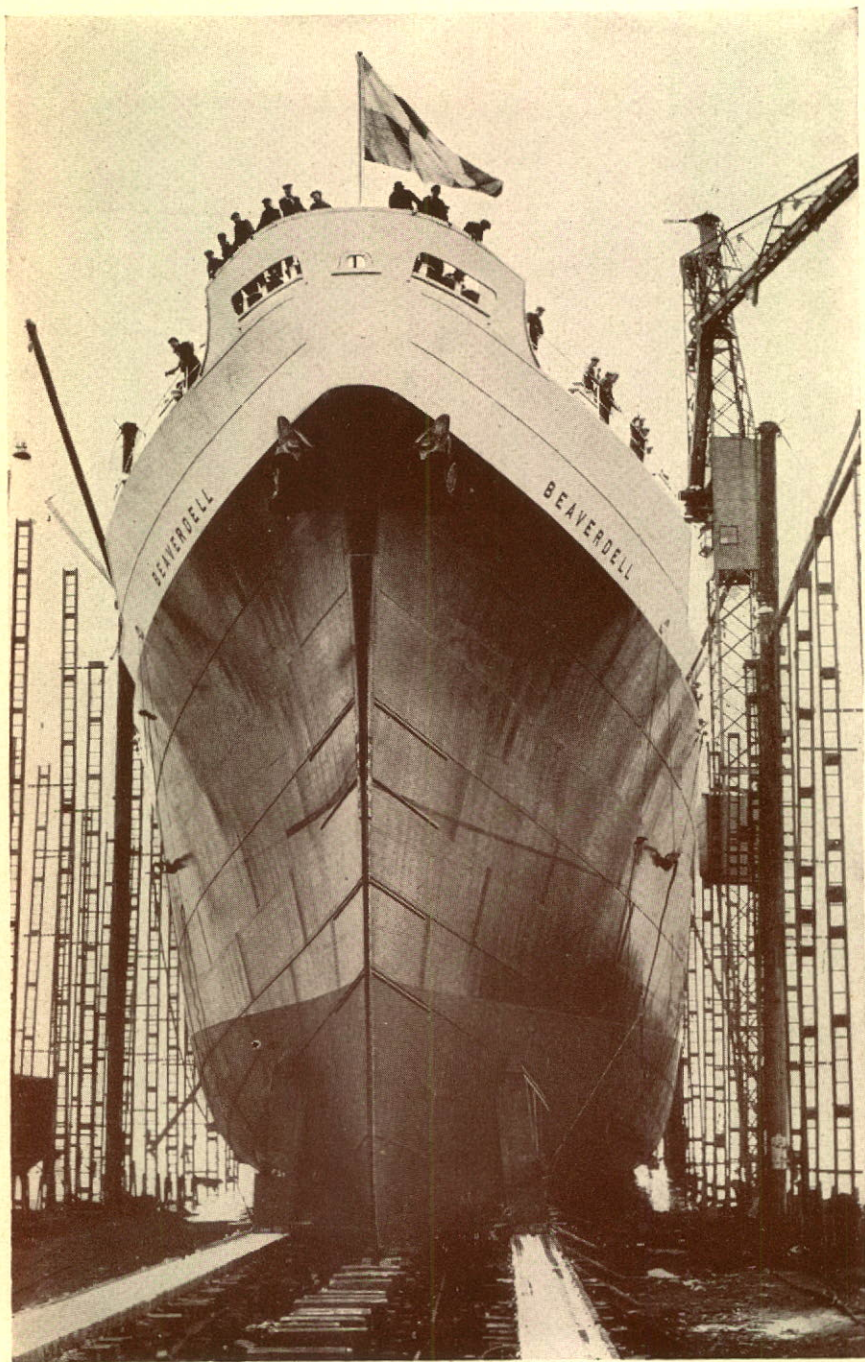
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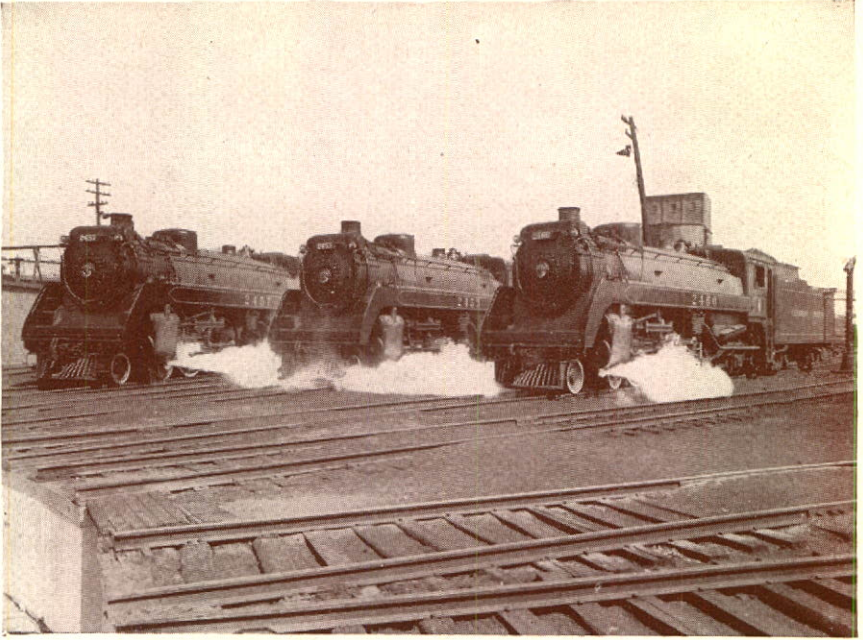
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McGILL UNIVERSITY

Pres. W.B. McFarland 1546



The "Beaverdell" was launched on the Clyde on August 27, 1945, and is the first of four new "Beavers" for the Canada-London service. The two-ocean fleet of the Canadian Pacific suffered severe losses during the War and plans for new passenger and freight liners to replace the losses are now being made.



The Company added 61 new locomotives in 1945 to replace those retired after war service and to meet post-war traffic conditions.



The station at Pendleton, Ontario, is the first in a series of new style depots incorporating modern design and improved facilities.

CANADIAN PACIFIC RAILWAY COMPANY

1 1 1

NOTICE TO SHAREHOLDERS

The Sixty-fifth 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 first day of May next, at the principal office of the Company, at Montreal, at twelve o'clock noon.

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

By order of the Board,

F. BRAMLEY,
Secretary

Montreal, March 11, 1946.

BOARD OF

| | |
|---|-----------------|
| RT. HON. SIR JOHN ANDERSON, G.C.B., G.C.S.I., G.C.I.E., M.P. | London, England |
| *L. J. BELNAP | Montreal |
| EDWIN G. BAKER | Toronto |
| *D'ALTON C. COLEMAN | Montreal |
| HON. CHARLES A. DUNNING, P.C. | do |
| *AIME GEOFFRION, K.C. | do |
| G. BLAIR GORDON | do |
| HON. ERIC W. HAMBER | Vancouver |

*Member of

OFFICERS

| | | |
|------------------------------------|----------------------|----------|
| Chairman and President | D'ALTON C. COLEMAN | Montreal |
| Vice-President | W. M. NEAL, C.B.E. | do |
| Vice-President Personnel | W. MANSON | do |
| Vice-President and General Counsel | G. A. WALKER, K.C. | do |
| General Solicitor | F. C. S. EVANS, K.C. | do |
| Assistant General Counsel | D. I. MCNEILL, K.C. | do |
| Secretary | F. BRAMLEY | do |
| Assistant Secretary | I. R. COLLINS | do |
| Assistant to the Vice-President | C. E. STOCKDILL | do |
| Assistant to the Vice-President | A. LYLE | do |

FINANCIAL DEPARTMENT

| | | |
|---------------------|---------------|----------|
| Vice-President | L. B. UNWIN | Montreal |
| Treasurer | J. A. DUNDAS | do |
| Assistant Treasurer | T. H. MOFFITT | do |

ACCOUNTING DEPARTMENT

| | | |
|--------------------------------|-----------------|----------|
| Vice-President and Comptroller | ERIC A. LESLIE | Montreal |
| Assistant Comptroller | W. R. PATTERSON | do |
| Assistant Comptroller | S. J. W. LIDDY | do |

TRAFFIC DEPARTMENT

| | | |
|---|-----------------|----------|
| Vice-President | GEORGE STEPHEN | Montreal |
| 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 |
| 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 |
| *MORRIS W. WILSON, C.M.G. | Montreal |

Executive Committee.

OPERATING DEPARTMENT

Eastern Lines:

| | | |
|--|-----------------|------------|
| Vice-President | E. D. COTTERELL | Toronto |
| General Manager | N. R. CRUMP | do |
| Asst. to Vice-President and Gen. Manager | G. N. CURLEY | do |
| Gen. Supt. New Brunswick District | T. C. MACNABB | Saint John |
| Gen. Supt. Quebec District | J. R. KIMPTON | Montreal |
| Gen. Supt. Ontario District | D. S. THOMSON | 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 | do |
| Manager, Dept. of Research | W. A. NEWMAN, M.B.E. | do |
| Manager, Dept. of Personnel | GEORGE HODGE, O.B.E.* | do |
| Acting Manager, Dept. of Personnel | H. D. BRYDONE-JACK | do |
| General Supt. of Transportation | H. J. MAIN | do |
| Manager of Sleeping and Dining Cars | T. M. McKEOWN | do |
| General Mgr. of Communications | W. D. NEIL | do |
| General Purchasing Agent | B. W. ROBERTS | 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 | MAJ.-GEN. E. DE B. PANET, C.M.C., D.S.O. | do |
| Manager, Dept. of Natural Resources | A. GRIFFIN | Calgary |
| Special Representative | WM. BAIRD | London |
| European General Manager | J. C. PATTESON, Trafalgar Square | do |
| Oriental Manager | D. DRUMMOND | Hong Kong |
| Deputy Secretary and Registrar of Transfers | F. J. WHIDDETT, 8, Waterloo Place | London |

*Services on loan to Government.

* * *

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 |

**SIXTY-FIFTH ANNUAL REPORT
OF THE DIRECTORS**

1 1 1

TO THE SHAREHOLDERS:

The victorious ending of the war in Europe and in Asia and the partial readjustment of the Canadian economy to peacetime pursuits were the most significant factors affecting the year's operations. Though the flow of freight traffic derived from war production and from the export of war matériel suddenly ceased, the conversion needs of Canadian industry, the relief and rehabilitation needs of devastated Europe, and the repatriation of thousands of Canada's fighting men provided new sources of traffic. Notwithstanding a slight decline in gross earnings, an all-time record volume of transportation service was achieved by your Company.

Net earnings from railway operations were substantially less owing to increased costs. This was partially offset by an improvement in other income and a reduction in fixed charges. After providing for dividends on preference stock the earnings per share on ordinary stock amounted to \$1.98 as compared with \$2.21 in 1944.

During the year the sixtieth anniversary of the completion of your Company's transcontinental line was observed, and wide recognition was accorded the significance of this historic event by the press and by the public. Glowing tributes were paid to the great services rendered by your Company to Canada throughout the years since 1885. In the successful discharge of its responsibilities for wartime transportation service your Company has lived up to its highest traditions.



INCOME ACCOUNT

| | | |
|--|------------------|-----------------------------|
| Gross Earnings | | \$316,109,358 |
| Working Expenses (including taxes) | | <u>280,055,024</u> |
| Net Earnings | | \$ 36,054,334 |
| Other Income | | <u>15,106,957</u> |
| | | \$ 51,161,291 |
| Fixed Charges | | <u>19,547,129</u> |
| Net Income | | \$ 31,614,162 |
| Dividends: | | |
| Preference Stock | | |
| 2% paid August 1, 1945 | \$ 2,521,391 | |
| 2% payable February 1, 1946 | <u>2,510,109</u> | |
| | | \$ 5,031,500 |
| Ordinary Stock | | |
| 2% paid October 1, 1945 | | <u>6,700,000</u> |
| | | 11,731,500 |
| Balance transferred to Profit and Loss Account | | <u><u>\$ 19,882,662</u></u> |

PROFIT AND LOSS ACCOUNT

| | | |
|---|----------------|-----------------------------|
| Profit and Loss Balance December 31, 1944 | | \$251,715,008 |
| Final dividend of 3 per cent. on the Ordinary Stock, declared from the earnings of the year 1944, paid March 31, 1945 | | <u>10,050,000</u> |
| | | \$241,665,008 |
| Balance of Income Account for the year ended December 31, 1945 | \$ 19,882,662 | |
| Portion of steamship insurance recoveries representing compensation for increased cost of tonnage replacement | 712,258 | |
| Net exchange credit in respect of expenditures for new steamships and steamship insurance recoveries | 323,785 | |
| Miscellaneous—Net Credit | <u>189,115</u> | |
| | | 21,107,820 |
| Profit and Loss Balance December 31, 1945, as per Balance Sheet | | <u><u>\$262,772,828</u></u> |

(The final dividend of 3 per cent. on the Ordinary Stock for the year 1945 which was declared subsequent to the end of the year and is payable March 30, 1946, amounting to \$10,050,000, is not deducted from the Profit and Loss balance shown above.)

RAILWAY EARNINGS AND EXPENSES

GROSS EARNINGS from the transportation of freight, passenger, and incidental railway services amounted to \$316,109,358 in 1945. This is barely one per cent. less than the record earnings of 1944.

Charges for services continued at the pre-war level which prevailed when price-fixing regulations were imposed in 1941.

The volume of traffic handled exceeded that carried by all Canadian railways in any of the immediate pre-war years and this accomplishment, after five years of wartime stresses, emphasizes in telling fashion the effectiveness of the teamwork of your officers and employees.

WORKING EXPENSES for the year totalled \$280,055,024, and were the largest in the history of your Company. Payrolls charged to operating expenses were \$133,592,959, taking 42 cents of each dollar earned, as compared with 41 cents in 1944. At the same time the proportion of the earnings dollar required for material, supplies, taxes and other expenses increased from 45 cents to 47 cents.

NET EARNINGS, as a result of the fixed level of charges for services and the higher costs of operation, were smaller, in proportion to gross earnings, than at any time in the past.

The results of railway operations in 1945, compared with 1944, are shown in the following table:

| | 1945 | 1944 | Increase or <i>Decrease</i> |
|--|---------------|---------------|--------------------------------|
| Gross Earnings..... | \$316,109,358 | \$318,871,034 | \$2,761,676 |
| Working Expenses (including taxes).... | 280,055,024 | 275,711,370 | 4,343,654 |
| Net Earnings..... | \$ 36,054,334 | \$ 43,159,664 | \$7,105,330 |
| Expense ratios: | | | |
| Including taxes..... | 88.59% | 86.46% | 2.13 |
| Excluding taxes..... | 81.66% | 78.92% | 2.74 |

FREIGHT EARNINGS accounted for \$227,707,486, or 72% of the gross earnings, a reduction of \$5,410,987 from last year's all-time record. Approximately one-half of this reduction was in the earnings from grain and grain products. The wheat crop on the Prairies, estimated to be 280 million bushels, was considerably below the 1944 harvest of 390 million bushels, and grain loadings on your Company's western lines dropped 44 million bushels. This was offset to some extent by a greatly increased all rail movement of grain from the Lakehead and Georgian Bay ports to St. Lawrence and Atlantic coast ports.



The virtual cessation of the manufacture of war supplies in the last half of the year had the effect of lowering the general level of productive



operations throughout the Dominion, with the result that revenues from traffic other than grain also showed a decrease.

A total of 54,822,012 tons of freight was carried an average distance of 497 miles—bringing ton miles for the year to more than 27,251 millions. The average revenue received for hauling one ton a distance of one mile was 0.83 cents, a decline of 0.02 cents from the previous year. In the decade prior to the war the average revenue per ton mile was 0.97 cents.

PASSENGER EARNINGS slightly exceeded those of 1944 and accounted for \$56,854,297, or 18% of the gross earnings. The repatriation of service personnel and other military movements crowded into the last half of the year frequently necessitated drastic curtailment in sleeping car and other accommodation ordinarily available to the public. Civilian travel as a result declined substantially. A total of 17,740,684 passengers was carried an average distance of 162 miles. The average revenue received per passenger mile was 1.97 cents, compared with 1.94 cents in 1944 and 1943.

OTHER EARNINGS amounted to \$31,547,575, or 10% of gross earnings, and they exceeded those of the previous year by \$2,105,144. Revenues from sleeping and dining car operations were higher than ever before due principally to the magnitude of the demand for such services in connection with the movement of servicemen returning to their homes all across Canada. The number of meals served on your passenger trains reached a new high mark, averaging over 12,300 daily throughout the year. There was also an increase in the volume of express service rendered.

MAINTENANCE EXPENSES, consisting principally of expenditures for repairing and renewing track, structures, motive power and rolling stock totalled \$118,155,208, or 37 cents of every dollar of railway earnings. This proportion was the same as for the previous year.

The abnormally heavy use of your Company's facilities and equipment throughout the year, together with shortages of labour and material, particularly in the summer months, made it impossible to maintain them to the accepted standard of pre-war condition. Provision in the amount of \$5,250,000 was made in the year's accounts for maintenance which was necessarily deferred.

There were expended on the maintenance of roadway, bridges and buildings 36,628,000 man-hours of labour in 1945. The work performed included the placing in track of 1,609,177 treated and 1,556,228 untreated ties and the laying of 609 miles of new rail. The Sperry detector car, which is used in the examination of rails for hidden defects, covered 8,747 miles of track. Ballasting operations were again at a restricted level, only 750 thousand cubic yards of gravel ballast being applied. The unusually severe snow conditions which were encountered in the early

portion of 1945 saddled maintenance expenses with heavy charges and the snow plow mileage exceeded that operated in 1944 by 60%.

During the year, 39,756,000 man-hours of labour were expended on the maintenance of rolling stock. Heavy repairs were given to 750 locomotives and 28,117 freight train cars. Passenger train cars given general overhauling totalled 1,157.

As part of the policy of continually improving the standard of equipment when units are shopped for repairs, stabilized trucks were applied to 215 refrigerator cars; arch bar truck frames on 1,541 freight cars were replaced by cast steel truck frames; and the braking systems on 1,457 freight cars were renewed with air braking of modern design. Generator direct drives were installed on 62 passenger cars to replace belt-drives.

TRANSPORTATION EXPENSES amounted to \$114,725,361, taking 36 cents of every railway dollar earned as compared with 35 cents in 1944.



The allowance of holidays with pay to employees in the running trades became effective during the year for the first time. Higher prices for locomotive fuel added approximately \$800,000 to expenses.

Notwithstanding the severe winter weather encountered at the beginning of the year and the frequent recurrence of adverse operating conditions in connection with the repatriation of service personnel, the level of efficiency was well maintained. The following averages are indicative:

| | 1945 | 1944 |
|---|--------|--------|
| Freight Train Load—gross tons..... | 1,790 | 1,785 |
| Freight Train Speed—miles per hour..... | 16.1 | 16.2 |
| Freight Car Movement—miles per car day..... | 48.2 | 47.8 |
| Gross Ton Miles per Freight Train Hour..... | 28,873 | 28,913 |
| Passenger Miles per Train Mile..... | 138 | 141 |

OTHER WORKING EXPENSES amounted to \$47,174,455, a decrease of \$360,438. Railway tax accruals were \$21,933,197, of which \$18,200,000 represented the provision for Dominion Income and Excess Profits Taxes. Since the beginning of the war your Company has paid to the Dominion Government a total of \$103,400,000 in Income and Excess Profits Taxes.

OTHER INCOME

Other Income amounted to \$15,106,957, an increase of \$2,735,642.

All vessels in your ocean-going fleets, and one of your coastal ships, remained in operation throughout the year under charter to the Government of the United Kingdom. An adjustment in rates of hire for certain vessels and the settlement of various claims which had been outstanding contributed to an improvement of \$936,124 in the net earnings.



Hotel net earnings were better than in any past year. The improvement over 1944 was \$645,024. Large scale demand for accommodation at your city hotels existed throughout the year and a record volume of business was handled. Your resort hotels remained closed in 1945.

The net earnings of the communications department increased \$206,447. Following the cessation of hostilities your communication services were utilized more extensively by the public and revenues for the year were substantially higher.

Dividends paid by The Consolidated Mining and Smelting Company of Canada, Limited, were again at the rate of \$2.50 per share.

Net income from interest, exchange, separately operated properties and miscellaneous sources increased \$950,417. Interest received from the Minneapolis, St. Paul & Sault Ste. Marie Railroad Company Income Bonds, which were acquired by your Company through reorganization of the Soo Line in 1944, amounted to \$137,652. Exchange account and net results from the operations of separately operated properties improved. There was a decline in the management fees under your Company's contracts with the Government for the production of munitions, and reduced farm income in Western Canada adversely affected interest payments on farm land contracts.

FIXED CHARGES

Fixed charges amounted to \$19,547,129. This was a decrease from 1944 of \$1,284,020 and a decrease of \$7,306,627 from their maximum in 1938. Fixed charges have now been brought back to the level of 15 years ago.

NET INCOME AND DIVIDENDS

Net income for the year amounted to \$31,614,162 as compared with \$34,699,830 in 1944, a decrease of \$3,085,668. Dividends declared out of the year's earnings amounted to \$21,781,500. The dividends on Preference Stock and Ordinary Stock were 4 per cent. and 5 per cent. respectively, the same as for the previous year.

LAND ACCOUNTS

During the year 278,932 acres of agricultural lands were sold for \$1,603,044, an average price of \$5.75 per acre. Included in this total were 638 acres of irrigated land, sold at an average price of \$55.05 per acre.

Cash received on land account totalled \$7,637,988, including \$660,760 derived from the leasing of coal, gas and petroleum rights. Disbursements for land and irrigation expenses, including taxes, were \$1,257,523 leaving net cash receipts of \$6,380,465. This was a decrease of \$430,706 from the previous year.



Certain concessions to contract holders were again approved for the

crop year 1945-46. The assistance to holders of farm contracts since this policy was inaugurated in 1932, has amounted to \$25,614,264.

BALANCE SHEET

The total assets of your Company at the end of the year amounted to \$1,605,895,632, an increase during the year of \$22,817,733. The net increase in property investment was \$20,551,013, the additions and retirements being summarized for each of the various classes of property in a supporting schedule accompanying the Balance Sheet. The purchase of the line of railway in British Columbia between Princeton and Otter Summit, referred to in the 1944 Annual Report, was completed during the year. Among the larger retirements is that of the "Empress of Russia", which was destroyed by fire in September, 1945, while under charter to the British Government.

Current assets at the close of the year exceeded current liabilities by \$82,854,705 or 175%. At the end of the previous year the excess was \$88,484,875.

FINANCE

Serial equipment obligations, totalling \$7,214,000, matured and were paid.

On October 1, City Bank Farmers Trust Company entered into an agreement under which \$20,000,000 principal amount of Equipment Trust Certificates was issued, guaranteed as to principal and interest by your Company. This issue, designated as Series "H", maturing in equal semi-annual instalments from April 1, 1946, to October 1, 1955, inclusive, is payable in United States currency, and bears interest at 2% per annum. Under this arrangement, equipment constructed or to be constructed and costing \$25,069,943 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. Pending delivery of the equipment, your Company deposited with the Trustee bonds of the Dominion of Canada and cash aggregating \$25,069,943. As at December 31, units of equipment to the value of \$6,273,350 had been delivered, leaving a balance on hand with the Trustee of \$18,796,593, which amount is carried on the balance sheet in Other Investments as Unexpended Equipment Trust Deposit.



During the year, \$1,000,000 4½% Collateral Trust Gold Bonds, maturing July 1, 1960, were purchased and cancelled. The balance of these bonds—\$24,000,000—was called for redemption on January 1, 1946. The funds to meet this call were deposited with the Trustee on December 31.

The foregoing transactions resulted in the net retirement of \$12,214,000 of bonds and other obligations, and a reduction of \$30,268,000 in the amount of Consolidated Debenture Stock pledged as collateral.

On March 1, the 4% Second Debenture Stock of The Dominion Atlantic Railway Company, maturing July 1, 1956, amounting to £440,000, was called for redemption. Your Company placed this subsidiary in funds to meet the call. To consolidate its indebtedness, your subsidiary issued its 4% First Refunding Mortgage Bonds, maturing January 1, 1995, to the extent of \$7,307,000, which have been accepted by your Company in settlement of advances made to enable your subsidiary to redeem its First and Second Debenture Stocks and as consideration for the surrender by your Company of £292,500 4% Extension Debenture Stock, maturing January 1, 1965, and \$1,700,000 4% Mortgage Bonds, maturing May 1, 1966.

PENSIONS

Charges to working expenses for pensions amounted to \$6,153,160. 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 to the Pension Trust Fund of \$1,750,000. The minimum pension was increased from \$25 to \$30, effective October 1.

During the year 1,285 employees were retired on pension and 402 pensions were terminated owing to death and other causes. At the end of the year there were 6,708 on the pension payroll; distribution by ages was as follows:

| | |
|--|-------|
| Under 60 years of age..... | 348 |
| From 60 to 64 years of age, inclusive..... | 855 |
| From 65 to 70 years of age, inclusive..... | 3,344 |
| Over 70 years of age..... | 2,161 |
| | <hr/> |
| | 6,708 |

CANADIAN PACIFIC AIR LINES, LIMITED

The scale of operations of your Air Lines during the year 1945 was slightly lower than in the previous year, owing to the termination of war-time activities sponsored by the Canadian and United States Governments in Northwestern Canada. The results of operations showed a loss, after depreciation, of \$308,066. The loss during the first six months of the year more than accounted for this deficit. Considerable improvement took place in the last six months, largely as a result of the expansion of mining activities throughout the country, and a profit was recorded in net income for that period.

Under contract with Trans-Canada Airlines, your Air Lines' subsidiary Yukon Southern Air Transport Limited has undertaken, as Agent for T.C.A., the operation of a service between Whitehorse, Y.T., and Fairbanks, Alaska, which was inaugurated in October last.

The aircraft operated by your Air Lines flew a total of 5,373,403 revenue miles during 1945, as compared with 5,984,602 in the previous year. Passengers carried totalled 125,110 as compared with 104,166; freight transported was 9,419,556 pounds, compared with 8,027,442 pounds, and mail amounted to 1,253,537 pounds, compared with 1,436,153 pounds.

During the year all activities of your Air Lines in the Overhaul Plants operated for the Department of Munitions and Supply and in the British Commonwealth Air Training Plan came to a close.

Advances to the amount of \$400,000 were repaid by your Air Lines during the year, reducing your investment to \$7,000,000.

The Air Transport Board has commenced the review of existing licences and a number of applications are being made by independent operators for licences for charter services and services between specific points which might result in some duplication of services presently being operated by your Air Lines. In such cases briefs have been filed with the Board to protect the interests of your Air Lines.

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



During the year your Company exercised its option to acquire 33% of the stock of the newly organized Minneapolis, St. Paul & Sault Ste. Marie Railroad Company allotted to others in the plan of reorganization. \$364,980 was paid for this stock, at the rate of \$2.00 per share. Your Company now owns 49.94% of the capital stock of the Soo Line. In conformity with the terms under which this option was given, the traffic agreement executed in 1944, and referred to in the Annual Report for that year, has been extended for a period of eight years beginning January 1, 1951.

The Wisconsin Central Railway Company, of which your Company holds First and Refunding Mortgage Bonds in principal amount of \$8,409,042, continues to be operated by the Soo Line as agent for the Trustees of the Wisconsin Central. Two plans of reorganization for that company have been filed with the Interstate Commerce Commission by committees representing groups of bondholders. These plans contemplate a continuance of the present operating arrangement. A public hearing was held before one of the Commission's examiners commencing October 30th. His report has not yet been issued.

Net earnings of the Soo Line in 1945 amounted to \$2,804,235. After fixed charges and other deductions, net income was \$1,754,433.

THE DULUTH, SOUTH SHORE AND ATLANTIC RAILWAY COMPANY

The plan of reorganization embodying the terms of the compromise agreed upon between your Company and the representatives of the

holders of a substantial portion of the First Mortgage Bonds, which was referred to in the last Annual Report, is expected to be filed with the Interstate Commerce Commission and with the Court, during the current year.

An appeal by Louis Lober from the decision of the Court which denied his petition for subordination of the claims of your Company to those of the owners of the First Mortgage bonds was dismissed by the United States Circuit Court of Appeals. A petition to remove the case to the United States Supreme Court has been denied.

Net earnings of the South Shore were \$410,141 compared with \$642,880 in 1944.

RESEARCH AND DEVELOPMENT

A Department of Research, the need for which had become increasingly apparent, was established on February 1, 1945, with headquarters at Montreal. Its function is to carry on scientific and technical studies and to make recommendations for improvements and economies in various phases of your Company's operations. Satisfactory progress has been made in the organization of the Department and the advancement of specific projects which have been under study.

PUBLIC RELATIONS

A Department of Public Relations was established on August 1, 1945. The new department will integrate the work of the former General Publicity Agency including its Advertising Branch, the Press Bureau and the Exhibits Branch, and will devote special attention to all phases of your Company's activities which have a bearing on public relations. It will ensure that your Company's rail, steamship, hotel and other services are effectively publicized and that the public and your employees are fully informed on matters of interest to them.

RATES AND SERVICES

Freight and passenger rates remained unchanged throughout the year. It is informative to record the extent to which the gross earnings of your Company would have expanded in each of the years since 1941 had the charges for its services increased in line with the advances in the index of Canadian wholesale prices. The basis of the computations is indicated in the following table:

| Year | PRICE INDEX YEARLY AVERAGE (October 1941 = 100) | ACTUAL EARNINGS (in millions) | COMPUTED EARNINGS (in millions) |
|------------------|---|-------------------------------------|---------------------------------------|
| 1942 | 101.9 | \$ 257 | \$ 262 |
| 1943 | 106.6 | 297 | 317 |
| 1944 | 109.3 | 319 | 349 |
| 1945 | 109.9 | 316 | 347 |
| Totals 1942-1945 | | \$1,189 | \$1,275 |

Thus in the four year period your Company's earnings would have been \$86 million greater if its rates had kept abreast of prices generally.

The world-wide services of your Company have played no small part in bringing the Dominion of Canada to the favourable attention of the peoples of many lands. Prior to the war your Company maintained representation in 22 countries of continental Europe, in 15 countries and territories in the Far East, in Australia and New Zealand and in the West Indies as well as the United Kingdom and the United States. These agencies greatly facilitated both trade and travel and created much good will for Canada. With the outbreak of war it was necessary to close all agencies located in Europe and the Far East, with the exception of those not in the combat area. Since hostilities ceased, some of these agencies have been re-opened and plans are being made for the re-opening of others as and when business conditions warrant.



The needs of new plants and undertakings located on your lines required the construction of 145 sidings, involving 16.7 track miles, during 1945. At the close of the year an additional 43 sidings, involving 6.1 track miles, were in process of construction.

Automatic block signals were installed for 97 miles of single track in the Ontario District and 67 miles of track in the Manitoba and Alberta Districts. This efficient system of operation has now been installed on a total of 2,245 miles of your line.

New rolling stock placed in service during the year included 48 Pacific type steam locomotives and 13 Diesel switching locomotives; 750 box, 200 70-ton gondola and 300 70-ton hopper cars; and 50 cabooses.

Long range improvements in freight equipment were foreshadowed in the production of Canada's first aluminum-sheathed box car in your Angus shops. Another innovation is a special loading device ordered for the new automobile box cars soon to be delivered to your Company.

New sleeping car comforts, featuring a bed which folds into the wall by day, have been incorporated in certain sleeping cars being rebuilt in your shops. These cars will provide a practical laboratory for testing the new features for possible inclusion in new equipment. The programme of modernizing passenger equipment, providing more colourful and comfortable interiors, has been proceeded with as priorities for materials permitted. In addition, experiments have been made with a passenger train car fitted with free-wheeling axle units to test the degree of improvement obtainable in riding qualities.

There was recently placed in service the first of six streamlined stations of modern design being built by your Company. The innovations at these stations will be thoroughly tested for public approval and if acceptable will be incorporated into the general programme for post-war improvement.

In furtherance of your Company's intention to keep fully abreast of new developments in the field of communications, it is presently carrying out, jointly with the Canadian National Railways, exhaustive tests and experiments in the micro-wave radio field. From the results achieved it will be possible to determine the extent to which this new medium of transmission may contribute to long distance communications services in Canada, including ultimately facsimile and television transmission.

RE-ESTABLISHMENT OF VETERANS

It has been the concern of your officers to develop policies for the employment of veterans going beyond the requirements of The Reinstatement in Civil Employment Act. Every effort is being made to ensure that returning employees may benefit to the fullest extent from such added skill, knowledge, and experience as they acquired in the course of their war service. Where advisable, re-training has been provided to enable employees to resume their duties with confidence and assurance, and every encouragement has been extended to those who desired to take advantage of Government assistance in procuring vocational or academic training.



More than 4,800 employees, who had been on leave of absence with the Armed Forces or engaged in special war services under direction of the British Admiralty, had returned to peacetime employment with your Company by the end of the year. In addition, some 6,300 veterans who had no prior service with your Company had been placed in positions, a development which indicates the broad approach taken toward the problem of re-establishment.

STEAMSHIP REPLACEMENT

Two ships, the *Beaverdell* and *Beaverglen*, were launched on the Clyde during the year. The keels of two more ships of the same class have been laid. Improved performance and economy of operation have been sought in the design of the new Beavers and they are being fitted with the latest navigational aids, including radar equipment. Their speed will be 16 knots. Each vessel will have 163,000 cu. ft. of refrigerated space for perishable traffic.

The early release from Government service of two of your passenger ships is anticipated and agreements have been executed with ship-builders for their reconditioning. The resumption of service on both the Atlantic and the Pacific, as well as improvements in the service on the British Columbia coast, is the immediate aim of your Directors.

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 \$5,048,226. Included was a provision of \$3,866,567 for the construction of a fourth Beaver class vessel.

Your approval will also be requested for capital appropriations of \$42,039,447 for the year 1946. The principal items are as follows:

| | |
|---|--------------|
| Additions and betterments to stations, freight sheds, coaling and watering facilities and engine houses | \$ 2,814,995 |
| Replacement and enlargement of structures in permanent form | 1,019,374 |
| Tie plates, rail anchors and miscellaneous roadway betterments | 1,360,936 |
| Replacement of rail in main line and branch line tracks with heavier section | 1,086,640 |
| Installation of automatic signals | 1,681,092 |
| Additional terminal and side track accommodation | 1,445,757 |
| Additions and betterments to shop machinery | 1,017,258 |
| New rolling stock | 16,840,399 |
| Additions and betterments to rolling stock | 1,095,802 |
| Ocean and Coastal steamships | 12,684,593 |
| Additions and betterments to communication facilities | 764,507 |

The appropriations for new rolling stock make provision for 40 Pacific type steam locomotives, designed primarily for branch line working, and 14 Diesel switching locomotives; 1,750 freight train cars and 52 work units. The appropriations for Ocean and Coastal steamships provide for the purchase of two ships from the Government of the United Kingdom and for the construction of two coastal passenger steamers. The cost of these vessels will be met out of the Steamship Replacement Fund which has been accumulated for this purpose.

AGRICULTURAL POLICIES

In the early years of your Company's history little provision had been made for the development of agriculture in Western Canada, and your Company adopted the policy of establishing demonstration farms, and of building up herds of high-grade cattle for distribution to the farmers at reasonable prices to enable them to improve their stock. Substantial sums were invested in these undertakings, which made no immediate material return to your Company, but which contributed greatly to the growth and development of sound agricultural methods.

In later years the establishment of Provincial Departments of Agriculture and the organization of Livestock Breeders' Associations throughout the West brought these activities to some extent into competition with individual owners and it was decided to withdraw from the field as this could be done without disturbance to market conditions and without sacrifice of your investment.

This policy has now been fully implemented. The farms at Strathmore, Lethbridge and Coaldale have been disposed of and the herds

of Holstein and Angus cattle sold at fair prices, so that your Company is no longer engaged in farming activities.-

In 1935 your Directors reported that the Eastern Section of your Company's Irrigation project in the Province of Alberta had been transferred to the Board of Trustees of the Eastern Irrigation District, in accordance with the policy of encouraging the water users to undertake the operation of the system. In furtherance of this policy your Company has recently transferred the entire undertaking and works comprised in its Western District to the Board of Trustees of the Western Irrigation District.

The Agreement under which the transfer was made has been validated by act of the Alberta Legislature and provides for the assumption by the District of the liability of your Company to maintain and operate the system. The agreement further provides for the payment of \$400,000 by your Company to the Board for the maintenance, operation, renewal and repair of the irrigation system transferred and, in addition, \$20 per acre for all areas of irrigable land included in water agreements transferred, as compensation for the assumption by the Board of the contractual obligations of your Company for the delivery of water under these agreements. Your Company's total cash obligations under the agreement amount to \$533,800, of which \$100,000 remains to be paid on April 1, 1946. Your Directors believe that a substantial annual saving in expenses will be effected by this outlay and that a sound basis for the future prosperity of the District has been established.

JOINT PURCHASE OF THE ASSETS OF THE CONNECTICUT AND PASSUMPSIC RIVERS RAILROAD COMPANY

The joint offer of your Company and Boston and Maine Railroad to purchase certain lines of railway and other assets and property in the State of Vermont and the Province of Quebec, as provided for in the agreement dated April 6, 1945, which received your approval at the last Annual Meeting, was made and was accepted by The Connecticut and Passumpsic Rivers Railroad Company. Application has been made to the Interstate Commerce Commission for its approval.

If, as is expected, such approval is obtained, the line of railway extending from Wells River, Vermont, to the International boundary, a distance of approximately 69 miles, will be conveyed to Newport & Richford Railroad Company, whose capital stock is to be acquired by your Company, and there will be submitted for your consideration and approval a lease of the line from Newport & Richford Railroad Company to your Company. The lease will be for a term of 999 years, will provide for a rental equal to the interest on any bonds or other financial

obligations secured on said line of railway and will replace the existing thirty-year lease of the line, which is to be cancelled.

It is also expected, as part of the same transaction, that there will be submitted for your consideration and approval an assignment from The Connecticut and Passumpsic Rivers Railroad Company to your Company of the unexpired term of a lease for 999 years of the railway of Massawippi Valley Railway Company extending from the International boundary to Lennoxville, in the Province of Quebec, a distance of approximately 32 miles. The rental under the lease will be \$24,000 per annum, being an annual dividend of \$6.00 per share on 4,000 shares of the capital stock of Massawippi Valley Railway Company.

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..... | 22,267 | 14.60 | 158 | .55 | 10.44 |
| United Kingdom and other British..... | 13,476 | 47.24 | 26,987 | 96.47 | 61.82 |
| United States..... | 18,605 | 31.89 | 74 | .34 | 22.54 |
| Other Countries..... | 3,506 | 6.27 | 562 | 2.64 | 5.20 |
| | <hr/> | | <hr/> | | |
| | 57,854 | | 27,781 | | |

DIRECTORATE

It is with deep regret that your Directors report the death on November 19, 1945, of Mr. Selwyn Gwilym Blaylock who had been a member of the Board since December, 1942.

Mr. Blaylock, a distinguished citizen of Canada, achieved international renown and received many honours for his contributions to the science of metallurgy and electro-chemistry; his development of the great plant at Trail, B.C., was recognized as an outstanding achievement. His interest in community welfare was noteworthy and his relations with labour were such as to give him a place of distinctive leadership, while his wide and accurate knowledge of conditions associated with industrial enterprise enabled him to render valuable service as a Director of your Company.

It is also with deep regret that the Directors have to report that since the close of the year your Company has suffered a severe loss in the death of Major-General Frank S. Meighen, C.M.G., who rendered valued service as a Director for a period of over thirty years, having been so appointed in October, 1915.



The Rt. Hon. Sir John Anderson, G.C.B., G.C.S.I., G.C.I.E., M.P., London, was appointed a Director to fill the vacancy occasioned by the death in 1943 of the Rt. Hon. Reginald McKenna, P.C., and Mr. Edwin G. Baker was appointed a member of the Board to succeed Major-General Frank S. Meighen, C.M.G.

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

RT. HON. SIR JOHN ANDERSON, G.C.B., M.P.

MR. L. J. BELNAP

HON. ERIC W. HAMBER

MR. ROSS H. McMASTER

MR. MORRIS W. WILSON, C.M.G.

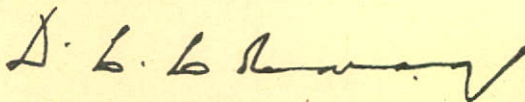
OFFICERS AND EMPLOYEES

Many tributes have been rendered to the efficiency and the sense of public responsibility displayed by Canadian railway workers of all ranks in the performance of their vital wartime tasks. Your Directors are proud to join in these tributes and to express their particular admiration of the accomplishments of the officers and employees of your Company.

During the war much anxiety was felt for those employees who in peacetime had been sent to the Far East in the service of your Company and who were interned by the Japanese. The satisfaction occasioned by their deliverance at the conclusion of the war was tempered only by the knowledge that three had died while in enemy hands.

It is with deep regret that your Directors record that 658 employees, serving in the armed forces or specially engaged under direction of the British Admiralty, lost their lives in the titanic struggle against evil and tyranny. Their names will ever be remembered and honoured.

For the Directors,



President.

MONTREAL, MARCH 11, 1946.

GENERAL BALANCE SHEET

ASSETS

PROPERTY INVESTMENT:

| | | |
|--|----------------|------------------|
| Railway, Rolling Stock and Inland Steamships..... | \$ 841,233,381 | |
| Improvements on Leased Property..... | 99,262,694 | |
| Stocks and Bonds—Leased Railway Companies..... | 133,481,665 | |
| Ocean and Coastal Steamships..... | 40,091,223 | |
| Hotel, Communication and Miscellaneous Properties..... | 97,501,149 | |
| | | \$ 1,211,570,112 |

OTHER INVESTMENTS:

| | | |
|---|---------------|-------------|
| Stocks and Bonds—Controlled Companies..... | \$ 69,743,699 | |
| Miscellaneous Investments..... | 47,285,852 | |
| Advances to Controlled and Other Companies..... | 5,803,641 | |
| Mortgages Collectible and Advances to Settlers..... | 1,513,178 | |
| Deferred Payments on Lands and Townsites..... | 16,602,926 | |
| Unsold Lands and Other Properties..... | 15,826,541 | |
| Unexpended Equipment Trust Deposit..... | 18,796,593 | |
| Maintenance Fund..... | 25,200,000 | |
| Insurance Fund..... | 11,122,713 | |
| Steamship Replacement Fund..... | 46,186,215 | |
| | | 258,081,358 |

CURRENT ASSETS:

| | | |
|--|---------------|-------------|
| Material and Supplies..... | \$ 32,298,728 | |
| Agents' and Conductors' Balances..... | 15,486,672 | |
| Miscellaneous Accounts Receivable..... | 15,756,306 | |
| Dominion of Canada Securities..... | 20,790,000 | |
| Cash..... | 45,713,753 | |
| | | 130,045,459 |

UNADJUSTED DEBITS:

| | | |
|------------------------------------|------------|------------------|
| Insurance Prepaid..... | \$ 229,363 | |
| Unamortized Discount on Bonds..... | 4,963,632 | |
| Other Unadjusted Debits..... | 1,005,708 | |
| | | 6,198,703 |
| | | \$ 1,605,895,632 |

TO THE SHAREHOLDERS,
CANADIAN PACIFIC RAILWAY COMPANY:

We have examined the above General Balance Sheet of the Canadian Pacific Railway Company and Profit and Loss Accounts 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, 1946, were in the custody of its Treasurer and by certificates received from such

In our opinion the General Balance Sheet, Income and Profit and Loss Accounts so as to fairly present the financial position of the Company at December 31, 1946, according to the best of our information and the explanations given to us.

Montreal, March 8, 1946.



ET, DECEMBER 31, 1945

LIABILITIES

CAPITAL STOCK:

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

PERPETUAL 4% CONSOLIDATED DEBENTURE STOCK... \$ 327,067,729

| | | |
|---|------------|-------------|
| Less: Pledged as collateral to bonds and equipment obligations..... | 31,629,500 | |
| | | 295,438,229 |

FUNDED DEBT..... 93,669,000

CURRENT LIABILITIES:

| | | |
|-------------------------------------|--------------|------------|
| Pay Rolls..... | \$ 5,248,725 | |
| Audited Vouchers..... | 9,664,647 | |
| Net Traffic Balances..... | 3,314,585 | |
| Miscellaneous Accounts Payable..... | 9,544,012 | |
| Accrued Fixed Charges..... | 1,285,491 | |
| Unmatured Dividend Declared..... | 2,510,109 | |
| Other Current Liabilities..... | 15,623,185 | |
| | | 47,190,754 |

DEFERRED LIABILITIES:

| | | |
|--|--------------|-----------|
| Dominion Government Unemployment Relief..... | \$ 1,447,223 | |
| Miscellaneous..... | 4,357,711 | |
| | | 5,804,934 |

RESERVES AND UNADJUSTED CREDITS:

| | | |
|----------------------------|---------------|-------------|
| Maintenance Reserves..... | \$ 25,200,000 | |
| Depreciation Reserves..... | 281,528,223 | |
| Investment Reserves..... | 3,707,306 | |
| Insurance Reserve..... | 11,122,713 | |
| Contingent Reserves..... | 5,188,998 | |
| Unadjusted Credits..... | 5,785,961 | |
| | | 332,533,201 |

PREMIUM ON CAPITAL AND DEBENTURE STOCK..... 34,458,562

LAND SURPLUS..... 61,771,203

PROFIT AND LOSS BALANCE..... 262,772,828

 \$ 1,605,895,632

ERIC A. LESLIE,
Vice-President and Comptroller.

Canadian Pacific Railway Company as at December 31, 1945, the Income
and other related schedules, and have compared them with the books and

as at December 31, 1945, were verified by an examination of those securities which
the depositaries as were holding securities in safe custody for the Company.
All Loss Accounts and the other related schedules are properly drawn up
as at December 31, 1945, and the results of its operations for the year then ended,
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, 1944..... | | | \$828,911,761 |
| Additions and Betterments: | | | |
| Railway..... | \$ 5,428,644 | | |
| Rolling Stock..... | 13,627,876 | | |
| Inland Steamships..... | 36,035 | | |
| | | \$19,092,555 | |
| Retirements and Transfers..... | Cr. | 6,770,935 | |
| | | | 12,321,620 |
| Total December 31, 1945, as per Balance Sheet..... | | | \$ 841,233,381 |
| IMPROVEMENTS ON LEASED PROPERTY: | | | |
| Balance at December 31, 1944..... | | | \$ 97,753,968 |
| Additions and Betterments: | | | |
| Railway..... | \$ 3,887,847 | | |
| Retirements and Transfers..... | Cr. | 2,379,121 | |
| | | | 1,508,726 |
| Total December 31, 1945, as per Balance Sheet..... | | | 99,262,694 |
| STOCKS AND BONDS—LEASED RAILWAY COMPANIES: | | | |
| Balance at December 31, 1944..... | | | \$130,073,481 |
| Acquired: | | | |
| \$7,307,000 First Mortgage Bonds, The Dominion Atlantic Railway Company..... | \$ 7,307,000 | | |
| 10 Shares Capital Stock, The Alberta Railway and Irrigation Company; 36 Shares Preferred Stock, The Kingston and Pembroke Railway Company..... | | 1,005 | |
| Redeemed: | | | |
| The Dominion Atlantic Railway Company | | | |
| \$924,667 Second Debenture Stock..... | Cr. | 924,667 | |
| \$1,423,500 Extension Debenture Stock..... | Cr. | 1,275,154 | |
| \$1,700,000 Mortgage Bonds..... | Cr. | 1,700,000 | |
| | | | 3,408,184 |
| Total December 31, 1945, as per Balance Sheet..... | | | 133,481,665 |
| OCEAN AND COASTAL STEAMSHIPS: | | | |
| Balance at December 31, 1944..... | | | \$ 37,767,236 |
| Additions and Betterments: | | | |
| Ocean..... | \$ 4,868,195 | | |
| Coastal..... | | 1,582 | |
| | | \$ 4,869,777 | |
| Retirements and Transfers..... | Cr. | 2,545,790 | |
| | | | 2,323,987 |
| Total December 31, 1945, as per Balance Sheet..... | | | 40,091,223 |
| HOTEL, COMMUNICATION AND MISCELLANEOUS PROPERTIES: | | | |
| Balance at December 31, 1944..... | | | \$ 96,512,653 |
| Additions and Betterments: | | | |
| Hotels..... | \$ 7,836 | | |
| Communications..... | 1,100,794 | | |
| Miscellaneous Properties..... | 158,877 | | |
| | | \$ 1,267,507 | |
| Retirements and Transfers..... | Cr. | 279,011 | |
| | | | 988,496 |
| Total December 31, 1945, as per Balance Sheet..... | | | 97,501,149 |
| PROPERTY INVESTMENT DECEMBER 31, 1945, as per Balance Sheet..... | | | \$1,211,570,112 |



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 |
| ARROSTOOK RIVER RAILROAD COMPANY | | |
| † | Capital Stock..... | 793,550 |
| ATLANTIC AND NORTH-WEST RAILWAY COMPANY | | |
| † | First Mortgage Bonds, Eganville Branch..... | 4% ⁰ 302,400 |
| † | 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 |
| Carried forward..... | | \$ 71,935,621 |

Canadian Pacific Railway Company

STOCKS AND BONDS—LEASED RAILWAY COMPANIES—Continued

| | | Par Value or Principal Amount |
|--|----|-------------------------------------|
| <i>Brought forward</i> | | \$ 71,935,621 |
| THE INTERPROVINCIAL AND JAMES BAY RAILWAY COMPANY | | |
| † Mortgage Bonds | 5% | 3,850,000 |
| † Capital Stock | | 34,000 |
| 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 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 |
| THE MIDLAND SIMCOE RAILWAY COMPANY | | |
| † Capital Stock | | 250,000 |
| THE MONTREAL AND ATLANTIC RAILWAY COMPANY | | |
| † Mortgage Bonds | 5% | 1,425,000 |
| † Capital Stock | | 2,480,000 |
| 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> | | \$140,275,134 |



STOCKS AND BONDS—LEASED RAILWAY COMPANIES—Concluded

| | | Par Value or Principal Amount |
|---|----|-------------------------------------|
| <i>Brought forward</i> | | \$140,275,134 |
| 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 | | 5,000 |
| 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 | | \$133,481,665 |
| Total | | \$156,920,674 |

†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 |
| 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% | 3,313,889 |
| Voting Trust Certificates—No Par Value— 359,110 shares..... | Cost | 16,092,654 |
| THE NEW BRUNSWICK COLD STORAGE COMPANY, LIMITED | | |
| † Cumulative Preference Stock..... | | 25,000 |
| † Ordinary Stock..... | | 50,000 |
| <i>Carried forward</i> | | \$ 63,724,598 |

STOCKS AND BONDS—CONTROLLED COMPANIES—Concluded

| | Par Value or Principal Amount | |
|--|-------------------------------------|----------------------|
| <i>Brought forward</i> | \$ 63,724,598 | |
| 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% | 2,675,000 |
| † 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 | 380,165 |
| Cost | \$69,743,699 | Total |
| | | <u>\$ 68,504,213</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% | 8,409,042 |
| OTHER INVESTMENTS | Cost | 5,854,846 |
| Cost | \$47,285,852 | Total |
| | | <u>\$ 48,436,688</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 | \$ 23,792,000 | \$327,067,729 |
| Less: Pledged as collateral. | — | 7,837,500 | 23,792,000 | 31,629,500 |
| | <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 | \$ 3,484,000 |
| Series "D"..... | (2½%) | Feb. 1, 1937 | Jan. 31, 1952 | United States | 3,484,000 |
| Equipment Trust | | | Serially to | | |
| Series "E"..... | 3% | June 1, 1938 | May 31, 1953 | Canadian | 6,336,000 |
| Equipment Trust | | | Serially to | | |
| Series "F"..... | 3% | Apr. 1, 1943 | Apr. 1, 1953 | United States | 13,500,000 |
| Equipment Trust | | | Serially to | | |
| Series "G"..... | 2½% | Mar. 1, 1944 | Mar. 1, 1954 | United States | 22,100,000 |
| Equipment Trust | | | Serially to | | |
| Series "H"..... | 2% | Oct. 1, 1945 | Oct. 1, 1955 | United States | 20,000,000 |
| **COLLATERAL TRUST BONDS: | | | | | |
| Convertible Fifteen Year | | | | | |
| Bonds..... | 4% | July 2, 1934 | July 2, 1949 | Canadian | 11,240,000 |
| (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>\$ 93,669,000</u> |

*Secured in part by pledge of Perpetual 4% Consolidated Debenture Stock aggregating, in principal amount, \$1,742,000.

**Secured by pledge of Perpetual 4% Consolidated Debenture Stock aggregating, in principal amount, \$29,887,500. The 4½% Collateral Trust Bonds maturing July 1, 1960, were called for redemption on January 1, 1946, payment was made to the Trustees on December 31, 1945, and the Perpetual 4% Consolidated Debenture Stock pledged as collateral was returned and cancelled.

DEPRECIATION RESERVES

| | Balance December 31, 1944 | Additions | Deductions | Balance December 31, 1945 |
|--------------------|---------------------------------|----------------------|---------------------|---------------------------------|
| Road..... | \$ 90,793,928 | \$ 7,976,448 | \$ 2,035,847 | \$ 96,734,529 |
| Rolling Stock..... | 128,145,314 | 15,522,199 | 4,660,587 | 139,006,926 |
| Steamship..... | 28,706,367 | 1,791,090 | 2,382,173 | 28,115,284 |
| Hotel and Other.. | 15,469,892 | 2,668,667 | 467,075 | 17,671,484 |
| | <u>\$263,115,501</u> | <u>\$ 27,958,404</u> | <u>\$ 9,545,682</u> | <u>\$281,528,223</u> |

LAND SURPLUS ACCOUNT

| | |
|---|----------------------|
| Land Surplus December 31, 1944..... | \$ 61,704,766 |
| Land and townsite sales..... | \$ 3,684,140 |
| Miscellaneous earnings..... | 1,388,681 |
| | <u>5,072,821</u> |
| | \$ 66,777,587 |
| DEDUCT: | |
| Land and irrigation expenses..... | \$ 764,304 |
| Taxes..... | 493,219 |
| Inventory value of lands sold..... | 2,450,536 |
| Land contracts cancelled..... | \$ 1,664,987 |
| Less: Inventory value of lands reacquired..... | 366,662 |
| | <u>1,298,325</u> |
| | 5,006,384 |
| Land Surplus December 31, 1945, as per Balance Sheet..... | <u>\$ 61,771,203</u> |

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

| DESCRIPTION | RATE | PRINCIPAL OUTSTANDING | NATURE OF OBLIGATION |
|---|------|--------------------------|--|
| THE ALGOMA EASTERN RAILWAY COMPANY | | | |
| First Mortgage Bonds, maturing March 1, 1961..... | 5% | \$ 2,226,500 | Indemnity to The Lake Superior Corporation against liability under its guarantee of principal. |
| 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 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% | 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 \$301,453 held in Sinking Fund and \$3,409 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% | \$3,448,000 | Guarantee of interest. |
| First Refunding Mortgage Bonds, Series "B," dated to mature July 1, 1978..... | 5½% | 2,172,000 | 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 \$128,000 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..... | \$ 227,707,486 |
| Passenger..... | 56,854,297 |
| Mail..... | 4,040,780 |
| Express..... | 7,374,237 |
| Sleeping, Parlor and Dining Car and Miscellaneous..... | 20,132,558 |
| Total..... | <u><u>\$ 316,109,358</u></u> |

WORKING EXPENSES

| | |
|--|------------------------------|
| Maintenance of Way and Structures..... | \$ 55,602,527 |
| Maintenance of Equipment..... | 62,552,681 |
| Traffic..... | 4,855,761 |
| Transportation..... | 114,725,361 |
| Miscellaneous Operations..... | 8,578,037 |
| General..... | 11,807,460 |
| Railway Tax Accruals..... | 21,933,197 |
| Total..... | <u><u>\$ 280,055,024</u></u> |

OTHER INCOME

| | |
|---|-----------------------------|
| Net earnings from ocean and coastal steamships..... | \$ 2,062,965 |
| Net earnings from hotel, communication and miscellaneous properties..... | 2,333,877 |
| Dividends..... | 4,768,055 |
| Net income from interest, exchange, separately operated properties and miscellaneous sources..... | 5,942,060 |
| Total..... | <u><u>\$ 15,106,957</u></u> |

FIXED CHARGES

RENT FOR LEASED ROADS:

| | | | |
|--|-----------|---------|--------------|
| The Alberta Railway and Irrigation Company | \$ | 1,230 | |
| The Algoma Eastern Railway | | 111,325 | |
| Atlantic and North-West Railway | | 253,067 | |
| The Calgary and Edmonton Railway | | 218,358 | |
| The Connecticut and Passumpsic Rivers Railroad | | 246,000 | |
| The Dominion Atlantic Railway | | 30,367 | |
| The Fredericton & Grand Lake Coal & Railway | | 47,853 | |
| The Glengarry and Stormont Railway | | 49,083 | |
| The Guelph Junction Railway | | 50,152 | |
| Joliette and Brandon Railway | | 5,000 | |
| The Lindsay, Bobcaygeon and Pontypool Railway | | 20,000 | |
| The Montreal and Atlantic Railway | | 33,120 | |
| New Brunswick Railway System | | 390,187 | |
| Ontario and Quebec Railway | 1,234,795 | | |
| Quebec Central Railway | | 634,754 | |
| The St. Lawrence and Ottawa Railway | | 38,933 | |
| The St. Stephen and Milltown Railway | | 2,050 | |
| The Southampton Railway | | 1,433 | |
| Tobique Railway | | 15,613 | |
| The Toronto, Hamilton and Buffalo Railway | | 8,717 | |
| The Winnipeg River Railway | | 1 | |
| | | | \$ 3,392,038 |

INTEREST ON DEBENTURE STOCK AND FUNDED DEBT:

| | | | |
|---|----|------------|------------|
| Perpetual 4% Consolidated Debenture Stock | \$ | 11,817,529 | |
| Equipment Obligations | | 1,509,288 | |
| Thirty Year 4½% Collateral Trust Gold Bonds | | 1,098,024 | |
| Convertible Fifteen Year 4% Collateral Trust Bonds | | 449,600 | |
| Convertible Fifteen Year 3½% Collateral Trust Bonds | | 224,000 | |
| Thirty Year 3½% Collateral Trust Bonds | | 249,375 | |
| | | | 15,347,816 |

GUARANTEED INTEREST:

| | |
|---|---------|
| Minneapolis, St. Paul & Sault Ste. Marie Railway Company Bonds .. | 258,120 |
|---|---------|

INTEREST ON UNFUNDED DEBT.

39,361

AMORTIZATION OF DISCOUNT ON FUNDED DEBT.

509,794

Total

\$ 19,547,129



Canadian Pacific Railway Company

MILEAGE

| | Miles Operated | |
|---|----------------|--|
| CANADIAN PACIFIC RAILWAY: | | |
| New Brunswick District | 841.3 | |
| Quebec " | 1,643.9 | |
| Ontario " | 1,423.5 | |
| Algoma " | 1,222.6 | |
| Manitoba " | 2,516.1 | |
| Saskatchewan " | 3,627.0 | |
| Alberta " | 3,107.8 | |
| British Columbia " | 1,994.3 | |
| Dominion Atlantic Lines | 304.1 | |
| Quebec Central Lines | 356.5 | |
| | 17,037.1 | |
| CANADIAN PACIFIC ELECTRIC LINES: | | |
| The Grand River Railway | 18.4 | |
| The Lake Erie and Northern Railway | 51.0 | |
| | 69.4 | |
| CONTROLLED RAILWAY COMPANIES: | | |
| Aroostook Valley Railroad | 32.1 | |
| Minneapolis, St. Paul & Sault Ste. Marie Railroad | 3,224.3 | |
| The Duluth, South Shore and Atlantic Railway | 515.5* | |
| Mineral Range Railroad | 23.8* | |
| | 539.3 | |
| | 3,795.7 | |
| Total | 20,902.2 | |

*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 | 1,775 |
| FREIGHT TRAIN CARS: | |
| Box, Stock and Flat | 62,566 |
| Refrigerator, Tank and Open-Top | 11,747 |
| Conductors' Vans | 1,224 |
| | 75,537 |
| PASSENGER TRAIN CARS: | |
| Coach and Tourist Sleeping | 1,306 |
| Parlor, Standard Sleeping and Dining | 546 |
| Baggage, Mail and Express | 867 |
| | 2,719* |
| BOARDING, TOOL AND OTHER WORK CARS | 5,535 |

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

INLAND STEAMSHIPS

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

Gross Tonnage.....20,081

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

| | |
|-------------|----------------------|
| Beavercove* | Duchess of Bedford |
| Beaverdell* | Duchess of Richmond |
| Beaverglen* | Empress of Australia |
| Beaverlake* | Empress of Scotland |

| | |
|--------------------------|---------|
| Gross Tonnage: | |
| In service..... | 88,010 |
| Under construction*..... | 39,604 |
| Total..... | 127,614 |

COASTAL STEAMSHIPS

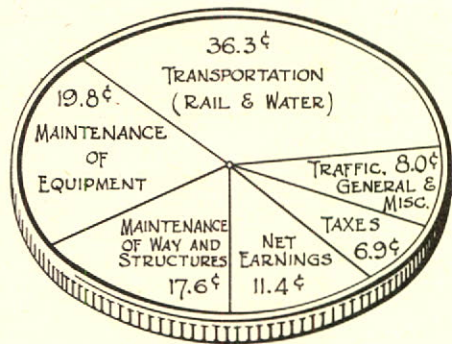
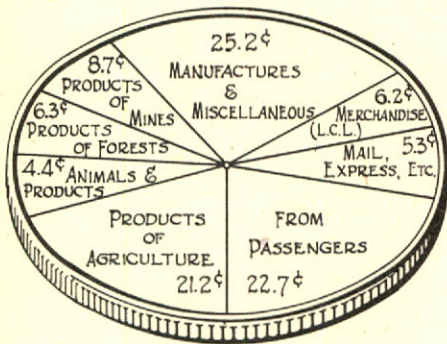
| | |
|--------------------|-------------------|
| Kyuquot | Princess Louise |
| Motor Princess | Princess Maquinna |
| Nanoose | Princess Mary |
| Nootka | Princess Norah |
| Princess Adelaide | Princess Victoria |
| Princess Alice | Qualicum |
| Princess Charlotte | Transfer No. 3 |
| Princess Elaine | " 4 |
| Princess Elizabeth | " 7 |
| Princess Helene | " 8 |
| Princess Joan | " 9 |
| Princess Kathleen | |

| | |
|--------------------|--------|
| Gross Tonnage..... | 55,800 |
|--------------------|--------|



THE RAILWAY DOLLAR

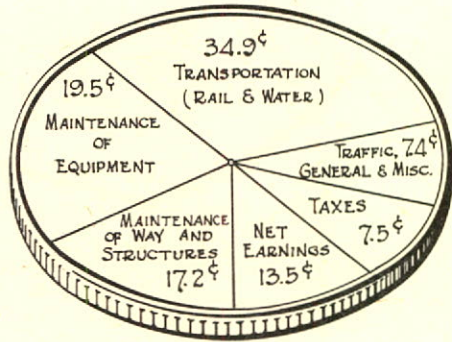
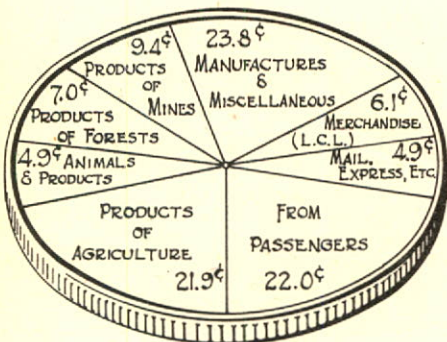
1945



WHERE THE EARNINGS CAME FROM

WHERE THE EARNINGS WENT TO

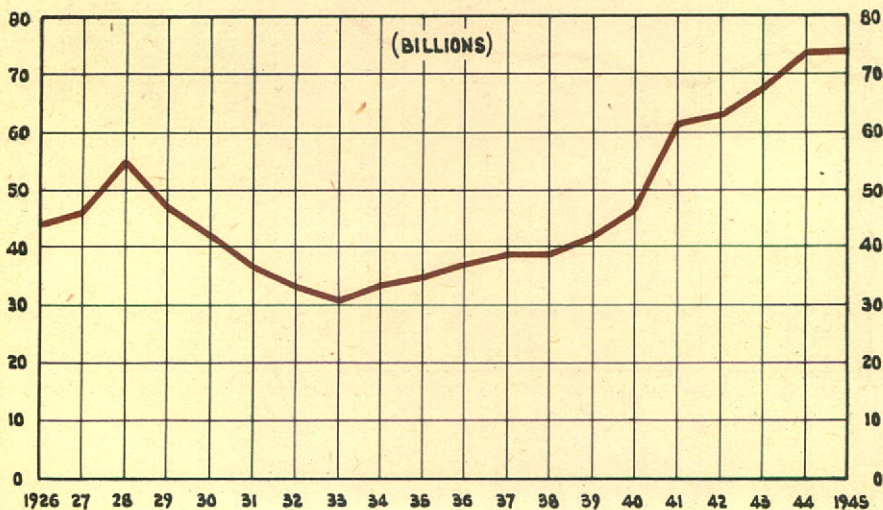
1944



TRANSPORTATION AND TRAFFIC STATISTICS

| | Year 1945 | Year 1944 | Increase or Decrease | |
|--|----------------|----------------|-------------------------|--------------|
| | | | Amount or Number | Per Cent. |
| AVERAGE MILES OF ROAD OPERATED..... | 17,029.2 | 17,029.9 | .7 | — |
| TRAIN MILEAGE | | | | |
| Freight Service..... | 35,016,268 | 35,114,904 | 98,636 | .3 |
| Passenger Service..... | 20,794,392 | 20,585,698 | 208,694 | 1.0 |
| Total Transportation Service..... | 55,810,660 | 55,700,602 | 110,058 | .2 |
| LOCOMOTIVE MILEAGE | | | | |
| Freight Service..... | 39,532,339 | 39,415,638 | 116,701 | .3 |
| Passenger Service..... | 21,705,459 | 21,534,778 | 170,681 | .8 |
| Switching Service—Road and Yard..... | 14,446,579 | 14,298,697 | 147,882 | 1.0 |
| Total Transportation Service..... | 75,684,377 | 75,249,113 | 435,264 | .6 |
| CAR MILEAGE | | | | |
| FREIGHT | | | | |
| Loaded..... | 871,005,595 | 869,241,685 | 1,763,910 | .2 |
| Empty..... | 443,327,526 | 442,314,243 | 1,013,283 | .2 |
| Caboose..... | 38,242,671 | 37,706,908 | 535,763 | 1.4 |
| Total..... | 1,352,575,792 | 1,349,262,836 | 3,312,956 | .2 |
| PASSENGER | | | | |
| Coaches..... | 61,912,360 | 62,651,492 | 739,132 | 1.2 |
| Sleeping, Parlor and Observation..... | 63,613,419 | 64,045,050 | 431,631 | .7 |
| Dining..... | 10,545,627 | 10,211,596 | 334,031 | 3.3 |
| Other..... | 57,343,331 | 54,249,521 | 3,093,810 | 5.7 |
| Total..... | 193,414,737 | 191,157,659 | 2,257,078 | 1.2 |
| Total Transportation Service..... | 1,545,990,529 | 1,540,420,495 | 5,570,034 | .4 |
| GROSS TON MILEAGE | | | | |
| Freight Service—Cars and Contents..... | 59,750,001,000 | 59,804,356,000 | 54,355,000 | .1 |
| Passenger Service—Cars only..... | 14,106,236,000 | 13,896,701,000 | 209,535,000 | 1.5 |
| Total Transportation Service..... | 73,856,237,000 | 73,701,057,000 | 155,180,000 | .2 |

GROSS TON MILEAGE—TOTAL TRANSPORTATION SERVICE

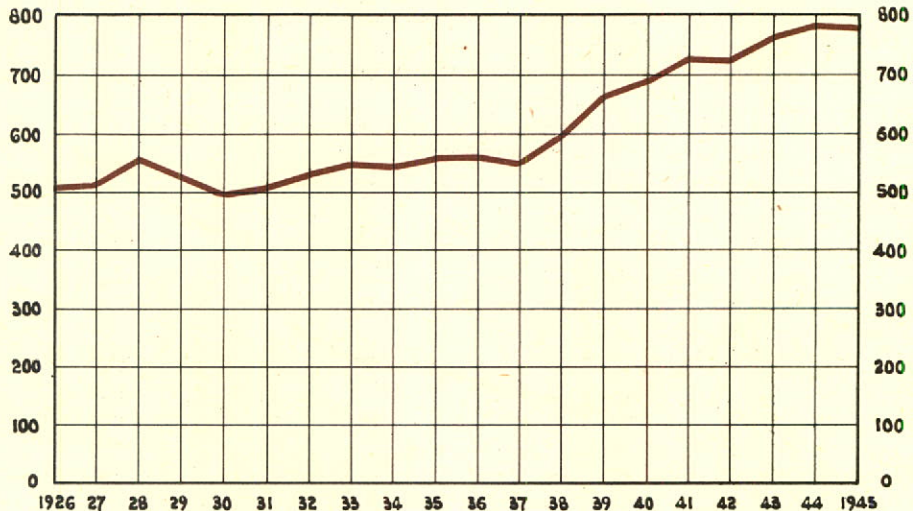


Canadian Pacific Railway Company

TRANSPORTATION AND TRAFFIC STATISTICS—Continued

| | Year 1945 | Year 1944 | Increase or Decrease | |
|--|----------------|----------------|-------------------------|--------------|
| | | | Amount or Number | Per Cent. |
| FREIGHT TRAFFIC—RAIL | | | | |
| Freight revenue..... | \$226,747,679 | \$232,146,901 | \$5,399,222 | 2.3 |
| Tons—Revenue freight..... | 54,822,012 | 55,679,262 | 857,250 | 1.5 |
| Tons—All freight..... | 62,554,315 | 63,882,938 | 1,328,623 | 2.1 |
| Ton miles—Revenue freight..... | 27,251,533,000 | 27,375,756,000 | 124,223,000 | .5 |
| Ton miles—All freight..... | 29,382,648,000 | 29,522,497,000 | 139,849,000 | .5 |
| AVERAGES PER MILE OF ROAD | | | | |
| Freight revenue..... | \$13,315 | \$13,632 | \$317 | 2.3 |
| Train miles..... | 2,056 | 2,062 | 6 | .3 |
| Total freight train car miles..... | 79,427 | 79,229 | 198 | .2 |
| Ton miles—Revenue freight..... | 1,600,283 | 1,607,511 | 7,228 | .5 |
| Ton miles—All freight..... | 1,725,427 | 1,733,568 | 8,141 | .5 |
| AVERAGES PER TRAIN MILE | | | | |
| Freight revenue..... | \$6.48 | \$6.61 | \$0.13 | 2.0 |
| Loaded freight car miles..... | 24.8 | 24.7 | .1 | .4 |
| Empty freight car miles..... | 12.7 | 12.6 | .1 | .8 |
| Car miles—All classes..... | 38.7 | 38.6 | .1 | .3 |
| Ton miles—Revenue freight..... | 778.3 | 779.6 | 1.3 | .2 |
| Ton miles—All freight..... | 839.1 | 840.7 | 1.6 | .2 |
| Gross ton miles..... | 1,706.3 | 1,703.1 | 3.2 | .2 |
| AVERAGES PER LOADED CAR MILE | | | | |
| Freight revenue (cents)..... | 26.0 | 26.7 | .7 | 2.6 |
| Ton miles—All freight..... | 33.7 | 34.0 | .3 | .9 |
| MISCELLANEOUS AVERAGES | | | | |
| Revenue per ton of freight..... | \$4.14 | \$4.17 | \$0.03 | .7 |
| Revenue per ton mile of freight (cents)..... | 0.83 | 0.85 | .02 | 2.4 |
| Miles hauled—Revenue freight..... | 497.1 | 491.7 | 5.4 | 1.1 |
| Miles hauled—All freight..... | 469.7 | 462.1 | 7.6 | 1.6 |

REVENUE FREIGHT TON MILES PER TRAIN MILE

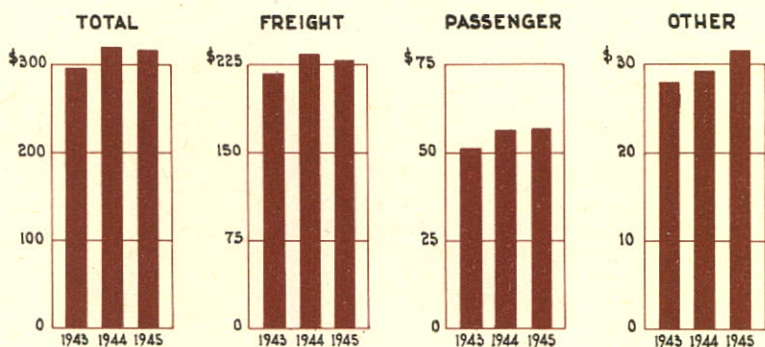


TRANSPORTATION AND TRAFFIC STATISTICS—Concluded

| | Year 1945 | Year 1944 | Increase or Decrease | |
|--|---------------|---------------|-------------------------|--------------|
| | | | Amount or Number | Per Cent. |
| CLASSIFICATION OF REVENUE TONNAGE CARRIED | | | | |
| Products of Agriculture | 18,108,926 | 18,023,200 | 85,726 | .5 |
| Animals and Animal Products | 1,341,886 | 1,405,580 | 63,694 | 4.5 |
| Products of Mines | 16,912,022 | 17,957,166 | 1,045,144 | 5.8 |
| Products of Forests | 5,105,344 | 5,227,143 | 121,799 | 2.3 |
| Manufactures and Miscellaneous | 11,966,869 | 11,772,002 | 194,867 | 1.7 |
| Total Carload Traffic | 53,435,047 | 54,385,091 | 950,044 | 1.7 |
| All less carload freight | 1,386,965 | 1,294,171 | 92,794 | 7.2 |
| Total Carload and L.C.L. Traffic | 54,822,012 | 55,679,262 | 857,250 | 1.5 |
| PASSENGER TRAFFIC—RAIL | | | | |
| Passenger revenue | \$56,491,985 | \$56,007,392 | \$484,593 | .9 |
| Passenger service train revenue | \$74,875,047 | \$73,255,473 | \$1,619,574 | 2.2 |
| Revenue passengers carried | 17,740,684 | 18,460,662 | 719,978 | 3.9 |
| Revenue passenger miles | 2,868,906,000 | 2,891,434,000 | 22,528,000 | .8 |
| AVERAGES PER MILE OF ROAD | | | | |
| Passenger revenue | \$3.317 | \$3.289 | \$28 | .9 |
| Passenger service train revenue | \$4.397 | \$4.302 | \$95 | 2.2 |
| Train miles | 1,221 | 1,209 | 12 | 1.0 |
| Total passenger train car miles | 11,358 | 11,225 | 133 | 1.2 |
| Revenue passenger miles | 168,470 | 169,786 | 1,316 | .8 |
| AVERAGES PER TRAIN MILE | | | | |
| Passenger revenue | \$2.72 | \$2.72 | — | — |
| Passenger service train revenue | \$3.60 | \$3.56 | \$0.04 | 1.1 |
| Car miles—All classes | 9.2 | 9.1 | .1 | 1.1 |
| Revenue passenger miles | 138.0 | 140.5 | 2.5 | 1.8 |
| Gross ton miles | 678.4 | 675.1 | 3.3 | .5 |
| AVERAGES PER CAR MILE—PASSENGER | | | | |
| Passenger revenue (cents) | 41.5 | 40.9 | .6 | 1.5 |
| Revenue passenger miles | 21.1 | 21.1 | — | — |
| MISCELLANEOUS AVERAGES | | | | |
| Revenue per passenger | \$3.18 | \$3.03 | \$0.15 | 5.0 |
| Revenue per passenger mile (cents) | 1.97 | 1.94 | .03 | 1.5 |
| Miles carried—Revenue passengers | 161.7 | 156.6 | 5.1 | 3.3 |
| TOTAL TRAFFIC—RAIL | | | | |
| AVERAGES PER MILE OF ROAD | | | | |
| Train miles | 3,277 | 3,271 | 6 | .2 |
| Car miles | 90,785 | 90,454 | 331 | .4 |
| Operating revenues | \$18,559 | \$18,729 | \$170 | .9 |
| Operating expenses | \$15,096 | \$14,721 | \$375 | 2.5 |
| Net operating revenue | \$3,463 | \$4,008 | \$545 | 13.6 |
| AVERAGES PER TRAIN MILE | | | | |
| Operating revenues | \$5.66 | \$5.73 | \$0.07 | 1.2 |
| Operating expenses | \$4.61 | \$4.50 | \$0.11 | 2.4 |
| Net operating revenue | \$1.05 | \$1.23 | \$0.18 | 14.6 |
| TOTAL TRAFFIC—RAIL AND INLAND WATER LINES | | | | |
| Operating revenues | \$317,406,710 | \$320,262,132 | \$2,855,422 | .9 |
| Operating expenses | \$258,121,827 | \$251,646,915 | \$6,474,912 | 2.6 |
| Net operating revenue | \$59,284,883 | \$68,615,217 | \$9,330,334 | 13.6 |
| Tax accruals, net of hire of equipment and joint facility rents | \$23,230,549 | \$25,455,553 | \$2,225,004 | 8.7 |
| Net earnings | \$36,054,334 | \$43,159,664 | \$7,105,330 | 16.5 |
| Per cent. operating expenses to operating revenues | 81.32 | 78.58 | 2.74 | 3.5 |
| Payroll charged operating expenses | \$133,592,959 | \$132,088,782 | \$1,504,177 | 1.1 |
| Per cent. payroll to operating revenues | 42.09 | 41.24 | .85 | 2.1 |
| Per cent. payroll to operating expenses | 51.76 | 52.49 | .73 | 1.4 |

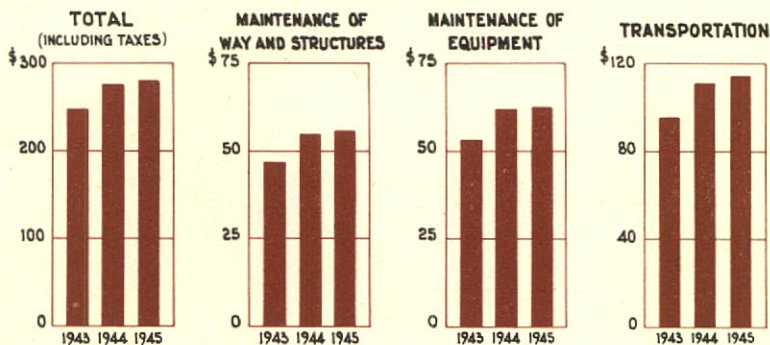
GROSS EARNINGS

(MILLIONS)



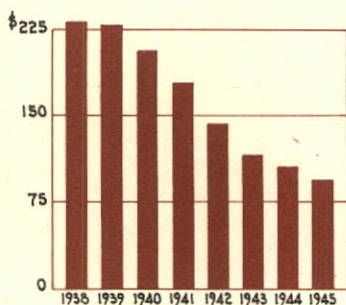
WORKING EXPENSES

(MILLIONS)



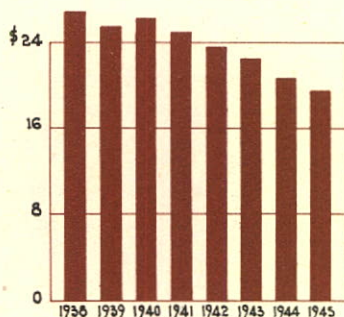
FUNDED DEBT

(MILLIONS)



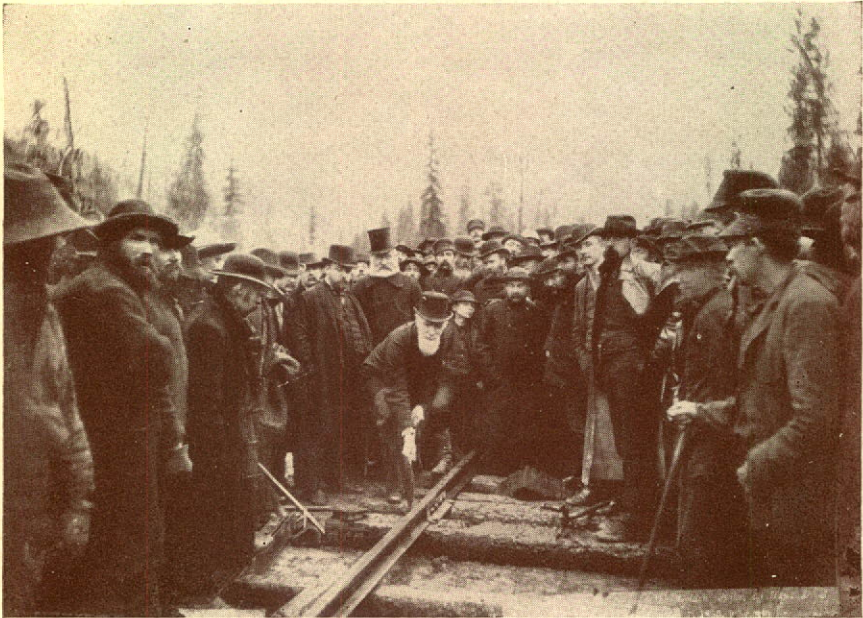
FIXED CHARGES

(MILLIONS)

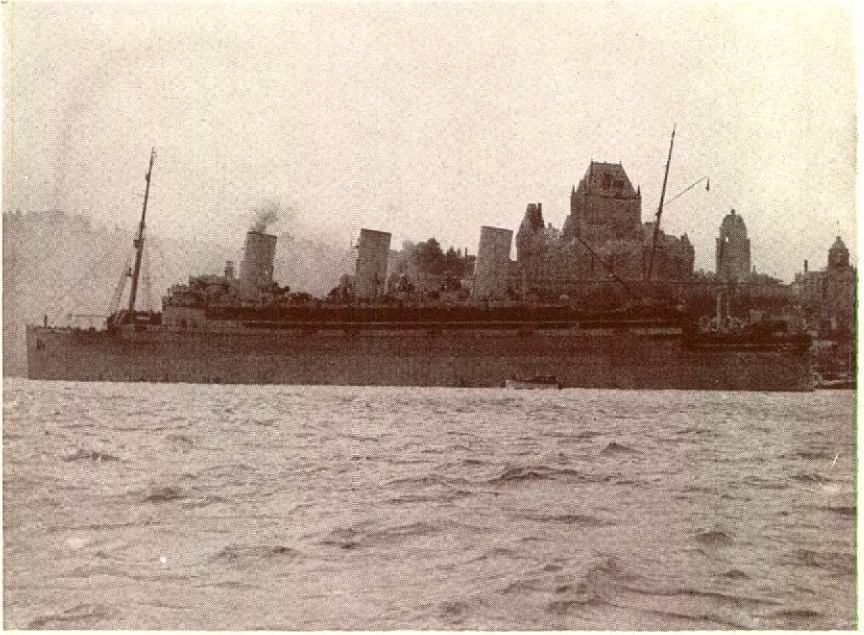




Announcement was made late in 1945 of the reopening, in 1946, of the Company's world-famous hotels at Banff and Lake Louise, as well as Mountain Lodges and Maritime Hotels, which have been closed since 1942.



On November 7, 1945, the Company celebrated its Sixtieth Anniversary of the "Driving of the Last Spike" at Craigellachie, B.C., which provided Canada with the track for its first transcontinental train service.



The "Empress of Scotland" at Quebec with Canadian servicemen returning home by the St. Lawrence route. The Chateau Frontenac, in which two Churchill-Roosevelt conferences took place, is in the background.



Canadian servicemen boarding Canadian Pacific troop trains at Quebec en route to their homes across Canada.



Connaught Tunnel

THROUGH Mount Macdonald in the Selkirk Mountains only a short train run from Craigellachie, scene of the historic "driving of the last spike" ceremony on November 7, 1885, is the Connaught Tunnel, the longest double-track railway tunnel on the American Continent. Five miles long from portal to portal the tunnel cross-section is 23 ft. by 29 ft. and is concrete lined throughout.

The tunnel is a part of a diversion which shortened the main line 4.3 miles, reduced the summit elevation 552 ft., eliminated 4.5 miles of snow sheds and the equivalent of seven complete circles of curvature. The highest rail elevation in the tunnel is 3,390 ft. above sea level over one mile below the summit of Mount Macdonald which reaches to a height of 9,860 ft. Powerful fans located at the west portal assist in ventilation. Trains are operated through the tunnel on the left hand track to provide engineers with the maximum view ahead.