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CANADIAN PACIFIC RAILWAY COMPANY

CANADIAN PACIFIC RAILWAY COMPANY

NOTICE TO SHAREHOLDERS

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

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

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

By order of the Board,

F. BRAMLEY,
Secretary.

Montreal, March 13, 1944.



BOARD OF

*L. J. BELNAP	Montreal
S. G. BLAYLOCK	Trail
HON. HENRY COCKSHUTT	Brantford
*D. C. COLEMAN	Montreal
HON. CHARLES A. DUNNING, P.C.	do
*AIMÉ GEOFFRION, K.C.	do
G. BLAIR GORDON	do
HON. ERIC W. HAMBER	Vancouver
JOHN W. HOBBS	Toronto

*Member of

OFFICERS

Chairman and President	D. C. COLEMAN	Montreal
Vice-President	W. M. NEAL, C.B.E.	do
Vice-President and General Counsel	E. P. FLINTOFF, K.C.	do
General Solicitor	G. A. WALKER, 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
Assistant Treasurer	A. H. LOBB	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

DIRECTORS

R. S. McLAUGHLIN	.	.	.	.	.	Oshawa
*ROSS H. McMASTER	.	.	.	.	.	Montreal
MAJ.-GEN. FRANK S. MEIGHEN, C.M.G.						do
*W. M. NEAL, C.B.E.	.	.	.	.	.	do
SIR EDWARD PEACOCK, G.C.V.O.	.					London, Eng.
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	.	.	.	.	.	H. J. HUMPHREY	.	Toronto
General Manager	.	.	.	.	.	E. D. COTTERELL	.	do
Asst. to Vice-President and Gen. Manager	.	.	.	.	.	S. M. GOSSAGE	.	do
Gen. Supt. New Brunswick District	.	.	.	.	.	T. C. MACNABB	.	Saint John
Gen. Supt. Quebec District	.	.	.	.	.	R. W. SCOTT	.	Montreal
Gen. Supt. Ontario District	.	.	.	.	.	N. R. CRUMP	.	Toronto
Gen. Supt. Algoma District	.	.	.	.	.	E. S. McCRACKEN	.	North Bay

Western Lines:

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

Chief Engineer	.	.	.	.	.	J. E. ARMSTRONG	.	Montreal
Chief of Motive Power and Rolling Stock	.	.	.	.	.	H. B. BOWEN	.	do
Manager, Dept. of Personnel	.	.	.	.	.	GEORGE HODGE, O.B.E.®	.	do
Acting Manager, Dept. of Personnel	.	.	.	.	.	H. D. BRYDNE-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
Chief Com. of Immig'n and Colonization	.	.	.	.	.	J. N. K. MACALISTER	.	do
General Purchasing Agent	.	.	.	.	.	B. W. ROBERTS	.	do
General Manager of Hotels	.	.	.	.	.	H. F. MATHEWS	.	do
Manager, Dept. of Natural Resources	.	.	.	.	.	A. GRIFFIN	.	Calgary
Oriental Manager	.	.	.	.	.	D. DRUMMOND	.	Hong Kong
Special Services	.	.	.	.	.	WM. BAIRD	.	London
Acting European Manager	.	.	.	.	.	F. W. MOTTLEY,		
								Trafalgar Square, do
Deputy Sec. and Registrar of Transfers	F. J. WHIDDETT,		
								8, Waterloo Place, do

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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

SIXTY-THIRD ANNUAL REPORT
OF THE
DIRECTORS OF CANADIAN PACIFIC RAILWAY COMPANY
YEAR ENDED DECEMBER 31, 1943

TO THE SHAREHOLDERS:

The financial results of operations showed a moderate improvement over 1942 which, however, was not in proportion to the increase in traffic handled. As a result of governmental regulations rates, both passenger and freight, were maintained at the 1941 level. On the other hand operating costs, both labour and material, and taxes advanced substantially.

The volume of traffic handled in 1943 surpassed what might have been thought possible a year ago. Freight, passenger, mail and express traffic all reached levels never before attained.

In meeting the enormous wartime demands for transportation your Company's organization and facilities were subjected to rigorous tests. Heavy snowfalls and sleet in the first quarter of the year created operating difficulties; the shortage of labour curtailed the maintenance programme; the amount of new equipment procurable fell short of requirements; and wartime restrictions limited the provision of additions and betterments to facilities. The continuance of heavy enlistments in the armed services of members of the staff created problems not only of replacement but also of training and supervision. In spite of all obstacles, however, your Company succeeded in meeting the demands made upon it.

The unprecedented record of operations for the year ended December 31, 1943, is set forth in detail in the pages which follow.

INCOME ACCOUNT

Gross Earnings	\$297,107,791
Working Expenses (including taxes)	247,896,224
Net Earnings	<u>\$ 49,211,567</u>
Other Income	16,270,751
	<u>\$ 65,482,318</u>
Fixed Charges	\$ 21,795,836
Interest on bonds of Minneapolis, St. Paul & Sault Ste. Marie Railway Company, guaranteed as to interest by your Company	703,764
	<u>22,499,600</u>
Net Income	\$ 42,982,718
Dividends on Preference Stock:	
2% paid August 3, 1943—£564,070	\$ 2,521,391
2% payable February 1, 1944—£564,070	2,521,391
	<u>5,042,782</u>
Balance transferred to Profit and Loss Account	<u>\$ 37,939,936</u>

PROFIT AND LOSS ACCOUNT

Profit and Loss Balance December 31, 1942	\$201,250,483
Balance of Income Account for the year ended December 31, 1943	37,939,936
	<u>\$239,190,419</u>
DEDUCT:	
Loss on lines abandoned and on property retired and not replaced	\$ 3,460,902
Amount transferred to Rolling Stock Depreciation Reserve for extraordinary post-war retirements	\$ 20,000,000
Less amount of excess credit transferred from Steamship Depreciation Reserve	16,649,095
	<u>3,350,905</u>
Exchange adjustment in respect of steamship insurance recovered in sterling—net	780,714
Miscellaneous—Net Debit	363,680
	<u>7,956,201</u>
Profit and Loss Balance December 31, 1943, as per Balance Sheet	<u>\$231,234,218</u>

Net Income of \$42,982,718 was \$2,628,451 greater than in 1942. Subsequent to the end of the year, a dividend of 2 per cent. on the Ordinary Stock, amounting to \$6,700,000, was declared from the earnings of the year 1943, payable March 31, 1944. This dividend is not deducted from the Profit and Loss balance at December 31, 1943, shown above.

RAILWAY EARNINGS AND EXPENSES

The comparative results of railway operations were as follows:

	1943	1942	Increase
Gross Earnings.....	\$297,107,791	\$256,864,091	\$ 40,243,700
Working Expenses (including taxes)...	247,896,224	208,676,402	39,219,822
Net Earnings.....	\$ 49,211,567	\$ 48,187,689	\$ 1,023,878
Expense ratios:			
Including taxes.....	83.44%	81.24%	2.20
Excluding taxes.....	72.82%	71.54%	1.28

GROSS EARNINGS were \$40,243,700, or 15.7%, greater than in 1942, a year in which the earnings had reached their highest previous level. In each quarter of 1943 the earnings were higher than in the corresponding quarter of any previous year in your Company's history.

FREIGHT EARNINGS increased by \$22,045,259, or 11.3%. This result can be attributed principally to further expansion of the Dominion's industrial output, the enlarged export trade brought about by improved shipping conditions and the development of heavy grain movements both to Atlantic coast ports for export and to points in Eastern Canada and the United States to provide winter feed for livestock. Owing to the joint policy of the Canadian and United States Governments in diverting more ship tonnage to the grain traffic, it was possible to transport to lake ports a large amount of the grain which had accumulated in country and terminal elevators.

Earnings from grain and grain products increased \$12,200,000, or 37%. Grain handlings on your Company's lines were 257 million bushels, compared with 181 million bushels in 1942, and were slightly in excess of the 1925-1929 average of 254 million bushels. It is estimated that the wheat remaining to be moved by all railways from the Prairie Provinces amounted to 470 million bushels at the end of the year, approximately 60 million bushels less than at the end of 1942.

Ton miles for the year totalled 24,950 million, compared with 22,600 million in 1942 and 18,423 million in 1928. Owing to greater dispatch in the handling of cars the large increase over 1928 was actually accomplished with 5 million less car days. The average revenue per ton mile was 0.87 cents, showing little change from last year's figure of 0.86 cents.

PASSENGER EARNINGS increased by \$11,830,792, or 30.1%. Owing to continued heavy movements of the armed forces and a sustained high level of civilian travel, the volume of passenger traffic surpassed previous records. The average passenger journey of 150 miles compared with 156 miles in 1942.

OTHER EARNINGS increased by \$6,367,649, or 29.4%. Express revenues were the largest since 1921. Revenues from sleeping and dining cars, from

news services and from demurrage all reflected the general increase in business activity and travel.

WORKING EXPENSES increased by \$39,219,822, or 18.8%. Exclusive of taxes, the increase in expenses was \$32,592,157, and the ratio of expenses to gross earnings was 72.82% compared with 71.54% in 1942. Several factors contributed to the increase in the ratio. The wartime cost-of-living bonus paid to employees amounted to approximately \$14,000,000, an increase of \$2,000,000 over last year. The bonus rate of \$4.25 per week which had been in effect since August 15, 1942 was increased under Order-in-Council P.C. 5963 to \$4.60 per week, effective November 15, 1943. Higher prices for locomotive fuel added approximately \$3,000,000 to the year's expenses and many other material costs were higher. As a result of the extreme weather conditions of the first quarter of the year, there was an increase of \$1,200,000 in the cost of snow and ice removal.

MAINTENANCE OF WAY AND STRUCTURES EXPENSES increased by \$8,840,465. During the year 1,736,337 treated and 1,252,608 untreated ties were placed in track, 539 single track miles of new rail were laid, and rock ballast was applied to 72 miles of track. Tie plates to the number of 2,894,905 and rail anchors to the number of 1,341,298 were installed. The examination of rails for hidden defects by the Sperry detector car covered 8,890 miles of track.

Shortages of labour and material continued to be acute and the year's maintenance programme was again restricted in the main to immediate traffic requirements. The amount set aside in the year's accounts for special maintenance reserve was \$3,500,000. Depreciation on bridges, buildings and other structures was accrued for a full year, and amounted to \$5,640,423.

MAINTENANCE OF EQUIPMENT EXPENSES increased by \$8,133,266. Locomotive repairs involved an expenditure of \$12,608,896 and included the shopping of 703 engines for heavy repairs. The maintenance of freight train cars cost \$11,750,766 and included heavy repairs to 24,857 cars. Cast steel truck frames were applied to 1,745 cars, replacing arch bar truck frames. Stabilized trucks were applied to 278 refrigerator cars. Passenger train car repairs cost \$7,382,426, including the general overhauling of 1,243 units. To meet the heavy demands of travel 19 buffet parlor cars and 8 compartment observation cars were converted to first class coaches. The shopping programme was limited by the necessity of keeping a maximum of equipment in service and an amount of \$2,700,000 was set aside, representing the difference between the actual expenditure and that which would have been made under similar traffic conditions in peacetime. Charges for depreciation amounted to \$13,953,484 for rolling stock,

\$1,549,119 for shop and power plant machinery, and \$126,080 for inland steamships. At the end of the year, 92.4% of locomotives and 97.6% of freight cars were in serviceable condition, compared with 93.2% and 97.7% respectively at the end of 1942.

TRANSPORTATION EXPENSES increased by \$12,733,268. The ratio to gross earnings was 32.18% compared with 32.27% in 1942 and for the fourth successive year constituted a new low record. Increased wage costs and higher prices for fuel and other supplies added to the expenses of train operation but these were wholly offset by the increased earnings per train mile. Slight variations in operating factors are shown by the following indices:

	1943	1942
Freight train load—gross tons.....	1,729	1,711
Freight car load—tons.....	33.7	31.9
Freight train fuel consumption—pounds per 1,000 gross ton miles	106	101
Freight train speed—miles per hour.....	15.9	16.7
Gross ton miles per freight train hour.....	27,435	28,514
Passenger miles per train mile.....	132	110

Tons carried one mile and passengers carried one mile increased 10% and 25% respectively but the additional business was handled with an increase of only 5% in train miles.

OTHER WORKING EXPENSES increased by \$9,512,823. Railway tax accruals amounted to \$31,548,645, an increase of \$6,627,665, and included a provision of \$27,750,000 for the estimated amount of Dominion Income and Excess Profits taxes, in respect of which the final liability has not yet been determined. Traffic expenses were decreased by \$88,630. Expenses of dining and buffet service increased \$615,635, and news service expenses were greater by \$546,951.

OTHER INCOME

Other Income amounted to \$16,270,751, an increase of \$409,717, or 2.6%.

Dividend income increased by \$31,964. Dividends received from 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 by \$401,261. Improved economic conditions in Western Canada resulted in a significant increase in interest payments received by your Company on its land contracts. Interest income from the steamship replacement and maintenance funds was considerably larger, while the Exchange account showed a marked decrease, principally due to changes in the trend of interline traffic. The continued development of important war projects in Northwestern Canada brought increased earnings to the Northern Alberta Railways, from which your Company benefited.

Net earnings of ocean and coastal steamships were \$2,133,530, a decrease of \$754,748. There was a marked reduction in ocean earnings owing to higher costs and a smaller fleet, but this was partially offset by an increase of \$1,242,888 in the net earnings of coastal steamships.

Net earnings of hotel, communication and miscellaneous properties increased by \$731,240. All of your resort hotels were closed during the 1943 season, but new records of business volume, largely arising out of travel connected with the armed services and war industry, were established at many of your Company's large city hotels, and earnings showed an improvement of \$503,336. Net earnings of the communications department increased by \$260,533. The high level of general business activity was responsible for a considerable increase in ordinary commercial messages, and in addition new contracts were entered into for the lease of long distance telephone facilities. Postal Telegraph, Inc., your Company's principal connection in the United States, was merged with The Western Union Telegraph Company on October 8, and mutually satisfactory arrangements were completed for interchange of traffic with the new system. Net earnings of miscellaneous properties decreased \$32,629. The provision for depreciation of hotel, communication and miscellaneous properties amounted to \$2,651,357.

FIXED CHARGES AND GUARANTEED INTEREST

Fixed charges decreased by \$1,159,667, principally as a result of the debt retirements made without refunding. Guaranteed interest on Soo Line Bonds decreased \$35,189.

DIVIDENDS

Dividends amounting to \$5,042,782, being at the rate of 4% on the non-cumulative Preference Stock, were declared out of the Net Income for the year.

A dividend of 2 per cent. on the Ordinary Stock, payable March 31, 1944, was also declared from the earnings of the year. This represents a disbursement of 50 cents a share, amounting to \$6,700,000. Provision for the payment of this dividend is not reflected in the financial statements for 1943, as the declaration was made after the end of the year. The last previous year in respect of which dividends were declared on the Ordinary Stock was 1931, the final quarterly payment of 1¼% being made on April 1, 1932.

PROFIT AND LOSS ACCOUNT

The major item in the charge of \$3,460,902 for loss on lines abandoned and on property retired and not replaced pertains to the retirement of leased spur lines and trackage of the Columbia & Western Railway Company which formerly served certain mining properties in the Province of British Columbia.

A net charge of \$3,350,905 to Profit and Loss resulted from an appropriation of \$20,000,000 made for extraordinary post-war retirements of rolling stock and a credit transfer of \$16,649,095 from steamship depreciation reserve. The appropriation to augment rolling stock depreciation reserve was made in anticipation of charges which will arise when it becomes possible to replace certain types of rolling stock by units incorporating the latest technological improvements. The transfer from steamship depreciation reserve was necessary to correct an unbalanced relationship between that reserve and steamship investment. This condition had developed through successive losses in the fleet, accompanied by credits to the reserve of the entire amount recovered in respect of basic values of steamships sold or lost, which under the British Government War Risk Re-insurance Scheme included a substantial element representing compensation for increased cost of tonnage replacement.

LAND ACCOUNTS

During the year 135,352 acres of agricultural lands were sold for \$702,470, an average price of \$5.19 per acre. Included in this total were 224 acres of irrigated land, sold at an average price of \$29.74 per acre.

Cash received on land account totalled \$4,651,399, including \$706,345 for rents and royalties from coal lands and gas and petroleum rights. The generally improved cash income position of Western farmers is reflected in increased land account receipts. Disbursements for land and irrigation expenses, including taxes, were \$1,391,297, leaving net cash receipts of \$3,260,102. This was an increase of \$2,099,354 over the previous year.

The concessions granted in 1942 to land contract-holders were continued, with minor exceptions, throughout the 1943 crop year. The total amount of assistance to holders of farm contracts since 1932, when this policy was inaugurated, has been \$21,311,811.

BALANCE SHEET

A reclassification of certain assets has been effected in order to group them more consistently in relation to the manner of reporting the earnings and expenses for the various properties. The investment in Hotel, Communication and Miscellaneous Properties has been segregated and shown under a separate caption. Investments in all controlled companies, other than in those leased railway companies which are comprised in the railway system from which your Company's gross earnings are derived, have been merged under a single caption "Stocks and Bonds—Controlled Companies." Investments in Jointly Controlled Railway Companies have been transferred to Miscellaneous Investments. Supporting schedules accompany the Balance Sheet, setting forth the details of holdings under the various captions.

FINANCE

Serial Equipment obligations to the amount of \$4,154,769 matured and were paid, and Consolidated Debenture Stock to the amount of \$268,000 pledged under Series "D" was released and cancelled. On January 25, the balance of \$3,085,385 due to the Dominion Government on the Equipment Lease dated December 15, 1937, was prepaid. Securities and cash on hand with the Trustee of the Equipment Trust maturing July 1, 1944, increased by \$2,457,944, and in addition the Trustee, under authority of the Trust Agreement, purchased and cancelled \$665,000 of the Equipment Trust Certificates.

On March 1, The Union Trust Company of Pittsburgh as Trustee entered into an agreement under which \$18,000,000 principal amount of Equipment Trust Certificates was issued, guaranteed as to principal and interest by your Company. This issue, designated as Series "F", maturing in equal semi-annual instalments from October 1, 1943 to April 1, 1953, inclusive, is payable in currency of the United States of America and bears interest at 3% per annum. Under the arrangements for this issue, equipment which cost, at the time of construction, \$26,000,904 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.

The \$10,500,000 3% Convertible Collateral Trust Bonds, maturing October 1, 1945, were called for redemption on April 1, and the \$19,000,000 4½% Collateral Trust Gold Bonds maturing September 1, 1946, were called for redemption on September 1. The funds to meet these two issues were deposited with the respective Trustees. During the year \$120,500 principal amount of matured but unredeemed Collateral Trust Bonds was paid, and the amount remaining unpaid on an aggregate principal amount of \$1,100,500 of such issues has been deposited with the respective Trustees and eliminated from current liabilities. In addition the following securities were purchased and cancelled—3½% Convertible Collateral Trust Bonds due 1951 to the amount of \$2,000,000 and 5% Collateral Trust Gold Bonds due 1954 to the amount of \$600,000. Consolidated Debenture Stock to the amount of \$41,183,200, pledged as collateral to the issues of Collateral Trust Bonds of which the above mentioned bonds formed part, was released and cancelled.

On February 1, 4% Serial Secured Notes to the amount of \$350,000 and 3% Serial Secured Notes to the amount of \$287,400 were redeemed, and Consolidated Debenture Stock to the amount of \$1,092,000 was released and cancelled. On March 10, \$3,750,000 principal amount of 4% Notes was refunded by the issue of notes to the same amount, at the reduced rate of 3%, such notes being secured in the same manner and maturing on the same dates as the notes retired. In connection with this refunding Consolidated Debenture Stock to the amount of \$700,000 was released and cancelled.

On December 1, 3½% Serial Secured Notes due December 1, 1945, to the amount of \$2,000,000 were prepaid. On such prepayment Consolidated Debenture Stock to the amount of \$1,200,000 was released and cancelled, and 60,000 shares of capital stock of The Consolidated Mining and Smelting Company of Canada, Limited were released.

During the year, \$156,200 principal amount of matured but unredeemed 4½% Sinking Fund Note Certificates were paid. Provision was made to meet the unpaid balance of this issue aggregating in principal amount \$503,700 with a corresponding reduction in current liabilities.

On October 22, the 5% First Mortgage Debenture Bonds of the Lacombe and North Western Railway Company amounting to \$273,700 matured and were paid.

The financial transactions referred to above resulted in the net retirement of \$28,981,398 of bonds, notes and other obligations, the discharge of a contingent liability of \$273,700, a reduction of \$44,443,200 in the amount of Consolidated Debenture Stock pledged as collateral, and the return to the Company of the balance of the pledged capital stock of The Consolidated Mining and Smelting Company of Canada, Limited.

PENSIONS

Charges to working expenses for your Company's proportion of pension allowances, its contribution to the Pension Trust Fund and levies in respect of employees who come under the United States Railroad Retirement Act amounted to \$4,592,683. In view of the further rise in the level of employment and increased rates of pay, your Directors authorized an increase from \$700,000 to \$1,000,000 in the special contribution made annually to the Pension Trust Fund to assist in meeting the anticipated peak period of cost under the pension plan.

The number of employees pensioned during the year was 776. After allowing for deductions owing to death and discontinuance from other causes, the total number on the pension payroll at the end of the year was greater by 412 than at the end of 1942.

Distribution by ages was as follows:

Under 60 years of age	317
From 60 to 64 years of age, inclusive	652
From 65 to 70 years of age, inclusive	2,440
Over 70 years of age	1,805
	<hr/>
	5,214

WAGE NEGOTIATIONS

The representatives of all classes of employees affiliated with international organizations presented to the Canadian railway companies a request for increases in basic rates of pay sufficient to establish the same,

or substantially the same, rates of pay as those paid like classes of employees of United States railways. The companies replied that they were not prepared to enter upon negotiations on the basis of this request, it being their view that it disregarded the wartime wage policy of the Government. On September 15, the employees applied to the National War Labour Board for an order directing the railways to grant the increases, and later filed a brief in support of the application. A reply to the employees' brief is in the course of preparation.

CANADIAN PACIFIC AIR LINES, LIMITED

During the year further steps were taken by your subsidiary company, Canadian Pacific Air Lines, Limited, in the development of a co-ordinated air transportation system. For the movement of essential personnel and cargo carried in connection with vital continental defence establishments in Northwestern and Northeastern Canada, additional modern aircraft were allocated to your Air Lines. To provide for the traffic referred to, extensive new radio communication installations were also required, as well as additions to ground equipment, shops and airport facilities. To finance these capital expenditures your Company advanced an amount of \$2,027,000 during the year.

Transport planes of your Air Lines were flown 6,133,751 miles in revenue service during 1943, an increase of 17% over the previous year. Passenger miles totalled 24,031,000, an increase of 82%; mail pound miles were 926,994,000, an increase of 91%; and freight pound miles were 1,825,774,000, an increase of 18%.

That part of the activities of the British Commonwealth Air Training Plan involving your Air Observer Schools and Overhaul Plants was considerably expanded during the year. Aircraft operated by the personnel of your Air Observer and Elementary Training Schools flew over 57,000,000 miles. At the end of the year your Air Lines, including the Training Schools and the Overhaul Plants, had approximately 9,500 employees.

While there was a substantial increase in the volume of traffic handled as compared with the previous year, expenses increased in greater degree, owing largely to the cost of operating and maintaining aircraft under existing wartime conditions. In addition, the cost of pilot training was heavy, and there were non-recurring charges for reorganization and development. The operations for the year resulted in a moderate loss, which, however, was not unreasonable in all the circumstances. Provision for the accumulated loss to the end of the year, amounting to \$236,573, was made by a charge to Other Income.

Detailed study has been made of the possibilities of further development of your Company's air activities, and a number of new routes and

extensions of existing routes in the international as well as the domestic field will be proceeded with whenever this is permitted by Government policy.

The interim policy announced by the Government would exclude private operators from the field of international operation, while in the United States many applications by competing air lines for licenses to operate between points in the United States and points in Canada are being pressed for hearing before the Civil Aeronautics Board.

Your Directors feel that, if Canada is to occupy the place in air transportation which its geographical situation and the abilities and experience of its citizens in this field justify, there is urgent need of an air policy which will afford Canadian industry an opportunity equal to that enjoyed by the citizens of other countries.

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

Net earnings of this Company were \$5,141,093, or \$1,156,659 greater than in 1942. Gross earnings amounted to \$26,585,111, an increase of \$3,954,269. The increase in earnings resulted primarily from business connected with the war. Working expenses for the first time included charges for depreciation of road property, amounting to \$484,977, which were made in conformity with a general order of the Interstate Commerce Commission, effective January 1, 1943. The year's expenses also included provision for the back pay, and taxes thereon, of non-operating employees covered by the wage agreements reached on January 17, 1944, and made retroactive to February 1, 1943.

The plan of reorganization which had been accepted almost unanimously by the security holders voting thereon, was confirmed by the District Court of the United States in and for the District of Minnesota, Fourth Division, on June 18, 1943. In accordance with the provisions of the plan three reorganization managers were designated to put it into effect and carry it out under the supervision and control of the Court and subject to any requisite approval of the Interstate Commerce Commission. One of the reorganization managers was designated by your Company.

Preparatory steps in connection with the issue of the new securities are now being taken, and it is expected that they will be available in the near future.

THE DULUTH, SOUTH SHORE AND ATLANTIC RAILWAY COMPANY

Net earnings of this Company were \$1,000,744, compared with \$946,969 in 1942. Gross earnings were \$4,300,194, an increase of \$156,318. Passenger and express traffic both exceeded 1942 levels, but freight traffic declined slightly, owing to less ore being handled.

The District Court of the United States in and for the District of Minnesota, Fourth Division, delivered judgment in favour of your Company on December 27, 1943, in the action instituted by Hugh W. McCulloch and other bond holders to which reference was made in the Annual Report for the year 1940. The plaintiffs have ninety days in which to appeal against this judgment. The time within which a plan of reorganization of the South Shore shall be filed has been extended to June 1, 1944.

RATES AND SERVICES

The record volume of traffic moving necessitated the imposition of further limitations on passenger service by the Transport Controller. Parlor car service was suspended between the cities of Ottawa, Montreal and Toronto, and restrictions were placed on the number of sleeping cars and the number of extra passenger trains and of extra sections of regular passenger trains which could be operated. Effective April 15, he also directed Canadian railways to cease selling reduced fares for public holidays and for week-end travel. An order curtailing train service to summer resorts was followed shortly afterwards by the suspension of all tourist excursion fares.

In the interest of greater utilization of freight cars and other transportation facilities and of expediting the movement of freight traffic, the Transport Controller also issued orders requiring the loading of freight cars to their maximum capacity and prescribing minimum weight loads for specific commodities.

In conformity with the regulations of the Wartime Prices and Trade Board, freight rates on Canadian traffic remained at the level in effect in the base period in 1941. An annual loss of approximately \$2,000,000 in revenue on international traffic will be sustained by your Company as a result of the suspension from May 15, 1943, by the Interstate Commerce Commission, of the general freight rate increase which had been granted to United States carriers in 1942.

New rolling stock placed in service during the year included 5 Pacific type and 20 Mikado type locomotives; 5 Diesel switching locomotives; 1,400 box and 500 70-ton gondola cars; and 50 cabooses.

To provide for the greatly increased patronage of Windsor Station in Montreal, a number of improvements to accommodate and serve the travelling public have been completed. The station coffee shop has been remodelled and its capacity doubled, a public announcement system has been installed, and the main entrance to the station has been structurally altered to improve its appearance and to increase the accessibility of the concourse to travellers.

The installation of the automatic block signal system between Chapleau and Schreiber, designed to expedite traffic on the Algoma District, was nearing completion by the end of the year. This improvement will not only increase the capacity of this line, but will give greater safety and dispatch in operation.

WARTIME ACTIVITIES

The transportation needs of the Dominion continued to expand in 1943 owing to the increase in production of munitions of war and the intensification of hostilities abroad. Your Directors report with satisfaction that in no instance did traffic congestion develop or failures occur in supplying essential transportation. The record of the year's activities again demonstrates that efficient rail transportation is a vital force in the prosecution of the war.

The labour turnover was more than three times the normal rate, and operating difficulties were for this reason accentuated. The training of inexperienced employees has presented a serious problem to your officers and senior employees. Patrons of your Company have helped greatly by accepting the unavoidable inconveniences which attended the movement of passenger and freight traffic during the year.

Railway facilities were extended to meet the demands of expanded production. During the year 34 miles of industrial tracks were provided to serve 104 new plants throughout the Dominion.

The Valentine tank project, which was begun at your Company's Angus Shops in 1940, was completed during the year. A total of 1,420 tanks, including large quantities of spare parts required for battle damage repairs and ordinary maintenance requirements, were produced at a cost which compares most favourably with results achieved by other contractors. Shop facilities released from tank production are now being used for the production of main marine engines and condensers for frigates and corvettes along with many other important items for the Navy.

Naval guns and mountings of various types continued to be produced in quantity at the Ogden Shops in Calgary, involving the full use of the former locomotive erecting shop at that point.

The inspection of locomotives and rolling stock, which are being manufactured in Canada for the Indian State and the Jamaica Government Railways, was undertaken by your Company. In addition to specifying materials and approving workmanship, the contract with the Indian State Railways calls for supervision of re-erection of the locomotives when they reach the Far East.

The organization and experience of your purchasing department has been at the disposal of the Department of Munitions and Supply and the Navy, Army & Air Force Institutes since the outbreak of the war.

Four members of the staff of your Air Lines were awarded the Air Medal of the United States of America for meritorious service in the search for, and rescue of, army personnel from a stranded transport plane.

Your ocean steamships and part of your coastal fleet were operated throughout the year under the Ministry of War Transport of the United Kingdom. Some 53 honours have been won by officers and men of your fleet in various parts of the world. The exploits for which these awards have been made reveal the leadership and resourcefulness of the men serving in your ships.

Patriotic appeals and campaigns have evoked enthusiastic response from officers and employees. In the five Canadian Victory Loans, your Company and its employees have subscribed a total of \$90,756,850. Of this amount \$67,142,000 has been taken by your Company and by its Pension Fund and the Pension Fund of the Canadian Pacific Express Company. An average of 31,382 officers and employees were purchasers of War Savings Certificates throughout the year under the payroll deduction plan.

QUEBEC CONFERENCE

Your Company had the privilege of setting aside the Chateau Frontenac for the accommodation of more than seven hundred persons engaged in connection with the Conference of the leaders of the United Nations which took place in Quebec in August. A number of special trains were operated to provide transportation for the distinguished delegates and their staffs. The exceptional suitability of this famous hotel for the purpose, and the well co-ordinated services of your Company, including rail, communications, air transport and express, contributed greatly to the success of the Conference. Appreciation for your Company's part in the arrangements of the meeting has been expressed by Conference principals, as well as by Government officials of the countries concerned.

It was fitting that such a rare distinction should have fallen to the Chateau Frontenac in the year which marked the fiftieth anniversary of its opening in 1893. In recognition of this unique event in its history, an etching of the Chateau appears on the front cover of this Report.

RECONSTRUCTION AND RE-ESTABLISHMENT

A good deal of attention is now being directed to post-war economic plans. The great extent of the unused natural resources, and the opportunity for a considerable increase in population to benefit by them, combine to give ground for the assumption that it is possible to plan for an expanding economy in Canada. The study of post-war activities by your Company was assigned to a committee of senior officers, and an interim report was prepared which by request was presented during the

year to the Special Committee of the House of Commons on Reconstruction and Re-establishment.

Your Company expects to play its full part in the post-war internal and external commerce of Canada, and the instructions to the committee of officers were to prepare plans and schedules of improvements to your property to place it in a position to participate fully in that period of active employment and business expansion which may reasonably be anticipated to follow upon the termination of hostilities. The studies are, of course, concerned solely with such improvements or extensions as are considered prudent investments.

Your Directors believe that it will be wise to plan for a programme of five to ten years which would, in addition to its direct benefit to the earning power of your property, act as a valuable stimulus to employment and business activity in the country.

CAPITAL EXPENDITURES

In accordance with licences granted by His Majesty's Government in the United Kingdom, measures have been taken looking toward the replacement of some of the Beaver class freight vessels lost by enemy action during the war, and for this purpose, in anticipation of your confirmation, your Directors authorized an appropriation of \$11,409,900. Other capital appropriations for the year 1943 which were approved by your Directors, subject to your confirmation, totalled \$4,371,388, of which \$2,967,094 was for the purchase of 650 50-ton wood-lined box cars.

Your approval will also be requested for capital appropriations of \$24,478,980 for the present year. The principal items are as follows:

Replacement and enlargement of structures in permanent form	\$ 290,430
Additions and betterments to stations, freight sheds, coaling and watering facilities and engine houses	2,356,437
Tie plates, rail anchors and miscellaneous roadway betterments	1,186,540
Replacement of rail in main and branch line tracks with heavier section	999,418
Installation of automatic signals	726,582
Additional terminal and side track accommodation	337,571
Additions and betterments to shop machinery	692,577
New rolling stock	16,800,239
Additions and betterments to rolling stock	545,008
Additions and betterments to communication facilities	486,927

The appropriation for new rolling stock makes provision for 25 Pacific and 10 Mikado type road locomotives, 10 Diesel switching locomotives, 2,190 freight car units and 3 work units.

BRANCH LINES

In order further to serve the fruit-growing district in Southern British Columbia it is proposed to seek the authority of Parliament to extend the line of the Kettle Valley Railway Company, which is leased to your

Company, from Haynes to Osoyoos, a distance of approximately 10 miles, and to issue securities not exceeding \$50,000 per mile in respect of this extension.

REVISION OF TRAFFIC BY-LAWS

In view of amendments to the Railway Act and changes in traffic conditions, it was deemed advisable that the Traffic By-Laws of your Company should be revised and your Directors have approved certain appropriate changes therein, involving the repeal of By-Laws Nos. 64, 76, 84, 89 and 94 and the enactment in lieu thereof of By-Law No. 99 containing Traffic Rules and Regulations of your Company, which will be submitted for your approval and confirmation.

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.....	25,796	19.12	163	.61	13.64
United Kingdom and other British.....	16,067	53.42	26,487	96.35	66.14
United States.....	13,180	21.23	75	.33	15.04
Other Countries.....	3,442	6.23	581	2.71	5.18
	<u>58,485</u>		<u>27,306</u>		

CHANGES IN DIRECTORATE

It is with deep regret that your Directors record the loss by death during the year of two members of the Board, Sir Edward Wentworth Beatty, G.B.E., of Montreal, Chairman of the Company, in March, and the Rt. Hon. Reginald McKenna, P.C., of London, in September.

Fitting tributes were paid to the outstanding services rendered by Sir Edward to your Company and to the Dominion of Canada, in a resolution passed by the Directors at their meeting held in April, 1943, and also by the President and the Shareholders as incorporated in the Report of Proceedings of the Annual General Meeting held at Montreal in the following month.

The Rt. Hon. Reginald McKenna, P.C., was appointed a Director in 1926. During his association as a member of the Board resident in London, Mr. McKenna gave counsel and rendered service of the highest value to your Company and to the Dominion of Canada. He occupied a distinguished position in public affairs, and he will be regarded as a great Imperial statesman who showed the noblest qualities of leadership when the safety and freedom of all men were in dire peril.

Mr. George W. Spinney, C.M.G., was appointed a Director and Mr. Aimé Geoffrion, K.C., was appointed a member of the Executive Committee to fill the vacancies caused by the death of Sir Edward Wentworth Beatty.

RETIRING DIRECTORS

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

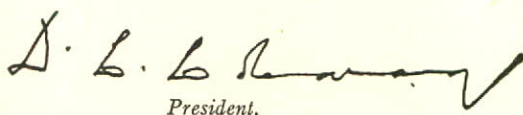
MR. D. C. COLEMAN
HON. CHARLES A. DUNNING, P.C.
MR. JOHN W. HOBBS
MR. R. S. McLAUGHLIN
SIR EDWARD R. PEACOCK, G.C.V.O.

OFFICERS AND EMPLOYEES

The officers and employees of your Company in all branches of its service have evinced their keen appreciation of the vital importance of transportation to the war effort of the United Nations, and your Directors gratefully acknowledge the competence and fidelity with which they have met the heavy demands of the past year. The repatriation, during the year, of several of your employees who had been interned in the Far East afforded great satisfaction. Anxiety is felt for those who still remain in enemy hands.

Your Directors report with pride that, up to the end of the year, 17,067 employees of your Company were on active service with the armed forces of the United Nations. It is a matter of deep regret that 377 of these employees have lost their lives in the common cause.

For the Directors,


President.

MONTREAL, March 13, 1944.

**GENERAL BALANCE SHEET
AND
SCHEDULES**

CANADIAN PACIFIC

GENERAL BALANCE SHEET

ASSETS

PROPERTY INVESTMENT:

Railway, Rolling Stock and Inland Steamships.	\$ 810,442,460	
Improvements on Leased Property.	96,813,831	
Stocks and Bonds—Leased Railway Companies.	129,693,871	
Ocean and Coastal Steamships.	36,971,006	
Hotel, Communication and Miscellaneous Properties.	101,872,734	
		\$ 1,175,793,902

OTHER INVESTMENTS:

Stocks and Bonds—Controlled Companies.	\$ 65,402,759	
Miscellaneous Investments.	33,949,193	
Advances to Controlled and Other Companies.	32,142,105	
Mortgages Collectible and Advances to Settlers.	2,290,803	
Deferred Payments on Lands and Townsites.	26,659,459	
Unsold Lands and Other Properties.	20,553,229	
Maintenance Fund.	13,450,000	
Insurance Fund.	10,387,121	
Steamship Replacement Fund.	47,879,560	
		252,714,229

CURRENT ASSETS:

Material and Supplies.	\$ 30,079,986	
Agents' and Conductors' Balances.	14,096,152	
Miscellaneous Accounts Receivable.	19,815,732	
Dominion of Canada Securities.	17,021,872	
Cash.	43,525,516	
		124,539,258

UNADJUSTED DEBITS:

Insurance Prepaid.	\$ 216,051	
Unamortized Discount on Bonds.	1,110,811	
Other Unadjusted Debits.	2,906,234	
		4,233,096

\$ 1,557,280,485

Note:—Particulars of securities held for account of the Company and of contingent liabilities of the Company are set out in the accompanying schedules.

RAILWAY COMPANY

ET, DECEMBER 31, 1943

LIABILITIES

CAPITAL STOCK:

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

PERPETUAL 4% CONSOLIDATED DEBENTURE STOCK \$ 397,826,229

Less: Pledged as collateral to bonds, notes and equipment obligations.....	102,388,000	
		295,438,229

FUNDED DEBT.....\$ 133,313,600

Less: Securities and cash deposited with Trustee of 5% Equipment Trust.....	17,395,856	
		115,917,744

CURRENT LIABILITIES:

Pay Rolls.....	\$ 4,771,158	
Audited Vouchers.....	10,450,212	
Net Traffic Balances.....	4,237,461	
Miscellaneous Accounts Payable.....	3,398,302	
Accrued Fixed Charges and Guaranteed Interest....	1,629,973	
Unmatured Dividend Declared.....	2,521,391	
Other Current Liabilities.....	21,050,660	
		48,059,157

DEFERRED LIABILITIES:

Dominion Government Unemployment Relief.....	\$ 2,447,223	
Miscellaneous.....	3,648,720	
		6,095,943

RESERVES AND UNADJUSTED CREDITS:

Maintenance Reserves.....	\$ 13,450,000	
Depreciation Reserves—Road.....	83,630,820	
—Rolling Stock.....	115,859,100	
—Steamship.....	26,856,648	
—Hotel and Other.....	12,888,176	
Investment Reserves.....	17,648,413	
Insurance Reserve.....	10,387,121	
Contingent Reserves.....	5,105,446	
Unadjusted Credits.....	5,353,560	
		291,179,284

PREMIUM ON CAPITAL AND DEBENTURE STOCK ..

34,565,952

LAND SURPLUS.....

62,533,037

PROFIT AND LOSS BALANCE.....

231,234,218

\$ 1,557,280,485

ERIC A. LESLIE,
Vice-President and Comptroller.

TO THE SHAREHOLDERS,
CANADIAN PACIFIC RAILWAY COMPANY:

We have examined the Books and Records of the Canadian Pacific Railway Company for the year ending December 31, 1943, and having compared the Balance Sheet and related schedules therewith, we certify that in our opinion it is properly drawn up so as to show the true financial position of the Company at that date, and that the Income and Profit & Loss Accounts correctly set forth the result of the year's operations.

The records of the securities owned by the Company at December 31, 1943, have been verified by an examination of those securities in the custody of its Treasurer and by certificates received from such depositaries as are holding securities for safe custody for the Company.

Montreal, March 10, 1944.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

CHANGES IN PROPERTY INVESTMENT

RAILWAY, ROLLING STOCK AND INLAND STEAMSHIPS:

Balance at December 31, 1942.....	\$800,582,643	
Additions and Betterments (less retirements):		
Railway.....	Cr. \$ 96,393	
Rolling Stock.....	9,926,610	
Inland Steamships.....	29,600	
	9,859,817	
Total December 31, 1943, as per Balance Sheet.....		\$ 810,442,460

IMPROVEMENTS ON LEASED PROPERTY:

Balance at December 31, 1942.....	\$ 98,840,778	
Additions and Betterments (less retirements):		
Railway.....	\$ 181,795	
Rolling Stock.....	Cr. 25,107	
	156,688	
Transferred to Communications.....	Cr. 2,183,635	
Total December 31, 1943, as per Balance Sheet.....		96,813,831

STOCKS AND BONDS—LEASED RAILWAY COMPANIES:

Balance at December 31, 1942.....	\$132,693,563	
Redeemed:		
\$2,348,500 Mortgage Bonds, Georgian Bay & Seaboard Railway Company.....	Cr. \$ 2,348,500	
\$300,000 Mortgage Bonds, Kaslo & Slocan Railway Company.....	Cr. 300,000	
\$550,000 Mortgage Bonds, Orford Mountain Railway Company.....	Cr. 550,000	
	Cr. 3,198,500	
Net of transfers to and from other accounts.....	198,808	
Total December 31, 1943, as per Balance Sheet.....		129,693,871

OCEAN AND COASTAL STEAMSHIPS:

Balance at December 31, 1942.....	\$ 52,885,105	
Additions and Betterments (less retirements):		
Ocean.....	Cr. \$15,929,369	
Coastal.....	15,270	
	Cr. 15,914,099	
Total December 31, 1943, as per Balance Sheet.....		36,971,006

HOTEL, COMMUNICATION AND MISCELLANEOUS PROPERTIES:

Balance at December 31, 1942.....	\$100,949,664	
Additions and Betterments (less retirements):		
Communications.....	\$ 346,937	
Miscellaneous Properties.....	Cr. 1,607,502	
	Cr. 1,260,565	
Transferred from Improvements on Leased Property.....	2,183,635	
Total December 31, 1943, as per Balance Sheet.....		101,872,734

PROPERTY INVESTMENT December 31, 1943, as per Balance Sheet.....	\$1,175,793,902
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STOCKS AND BONDS—LEASED RAILWAY COMPANIES

		Par Value or Principal Amount
ALBERTA CENTRAL RAILWAY COMPANY		
† Mortgage Bonds.....	4%	\$ 2,240,000
† Capital Stock.....		50,000
ALBERTA RAILWAY & IRRIGATION COMPANY		
† Mortgage Bonds.....	4%	1,676,000
† Capital Stock.....		3,228,500
ALGOMA EASTERN RAILWAY COMPANY		
† Preferred Stock.....		1,000,000
† Common Stock.....		2,000,000
AROOSTOOK RIVER RAILROAD COMPANY		
† Capital Stock.....		793,550
ATLANTIC & NORTH-WEST RAILWAY COMPANY		
† 1st Mortgage Bonds, Eganville Branch.....	4%	302,400
† Guaranteed Capital Stock.....	5%	3,240,000
† Common Stock.....		180,000
BRITISH COLUMBIA SOUTHERN RAILWAY COMPANY		
† 1st Mortgage Bonds.....	5%	1,175,000
† Capital Stock.....		172,200
CALGARY & EDMONTON RAILWAY COMPANY		
† Mortgage Bonds.....	4%	7,440,000
† Capital Stock.....		1,000,000
CAMPBELLFORD, LAKE ONTARIO & WESTERN RAILWAY CO.		
† Mortgage Bonds.....	4%	11,895,000
† Capital Stock.....		125,000
COLUMBIA & KOOTENAY RAILWAY & NAVIGATION COMPANY		
† 1st Mortgage Bonds.....	4%	1,277,500
† Capital Stock.....		250,000
COLUMBIA & WESTERN RAILWAY COMPANY		
† 1st Mortgage Bonds.....	5%	5,691,000
† Capital Stock.....		925,000
DOMINION ATLANTIC RAILWAY COMPANY		
† 2nd Debenture Stock.....	4%	924,667
† Extension Debenture Stock.....	4%	1,423,500
† Mortgage Bonds.....	4%	1,700,000
† Preference Stock.....	5%	1,313,122
† Ordinary Stock.....		1,101,849
ESQUIMALT & NANAIMO RAILWAY COMPANY		
† Mortgage Bonds.....	4%	7,165,000
† Capital Stock.....		2,500,000
FORT WILLIAM TERMINAL RAILWAY AND BRIDGE COMPANY		
† Capital Stock.....		125,000
FREDERICTON & GRAND LAKE COAL & RAILWAY COMPANY		
† 1st Mortgage Bonds.....	4%	465,000
† Capital Stock.....		140,000
GEORGIAN BAY & SEABOARD RAILWAY COMPANY		
† Mortgage Bonds.....	4%	2,491,500
† Capital Stock.....		250,000
GREAT NORTH WEST CENTRAL RAILWAY COMPANY		
† 1st Mortgage Bonds.....	5%	1,375,000
† Capital Stock.....		500,000
<i>Carried forward</i>		\$ 66,135,788

STOCKS AND BONDS—LEASED RAILWAY COMPANIES—Continued

		Par Value or Principal Amount
<i>Brought forward</i>		\$ 66,135,788
GUELPH & GODERICH RAILWAY COMPANY		
† Mortgage Bonds.....	4%	2,415,000
† Capital Stock.....		125,000
INTERPROVINCIAL & JAMES BAY RAILWAY COMPANY		
† Mortgage Bonds.....	5%	3,850,000
† Capital Stock.....		34,000
JOLIETTE & BRANDON RAILWAY COMPANY		
† Capital Stock.....		300,000
KASLO & SLOCAN RAILWAY COMPANY		
† Mortgage Bonds.....	5%	231,000
† Capital Stock.....		1,000,000
KETTLE VALLEY RAILWAY COMPANY		
† Mortgage Bonds.....	4%	15,210,000
† 2nd Mortgage Bonds.....	4%	1,507,000
† Capital Stock.....		375,000
KINGSTON & PEMBROKE RAILWAY COMPANY		
† Mortgage Bonds.....	4%	1,075,000
† 1st Preferred Stock.....		995,450
† 2nd Preferred Stock.....		136,450
† Common Stock.....		2,045,900
KOOTENAY CENTRAL RAILWAY COMPANY		
† Mortgage Bonds.....	4%	5,340,000
† Capital Stock.....		250,000
LACOMBE & NORTH WESTERN RAILWAY COMPANY		
† Mortgage Bonds.....	4%	2,300,000
† Capital Stock.....		500,000
LINDSAY, BOBCAYGEON & PONTYPOOL RAILWAY COMPANY		
† Capital Stock.....		200,000
MANITOBA & NORTH WESTERN RAILWAY COMPANY		
† 1st Mortgage Bonds.....	5%	160,600
† 1st Mortgage Bonds.....	6%	2,628,000
† Mortgage Bonds.....	5%	12,196,000
† Debenture Stock.....	5%	613,200
† Preference Stock.....		415,000
† Capital Stock.....		5,613,113
MANITOBA SOUTH WESTERN COLONIZATION RAILWAY Co.		
† 1st Mortgage Bonds.....	5%	2,613,000
† Capital Stock.....		700,000
MIDLAND-SIMCOE RAILWAY COMPANY		
† Capital Stock.....		250,000
MONTREAL & ATLANTIC RAILWAY COMPANY		
† Mortgage Bonds.....	5%	1,425,000
† Capital Stock.....		2,480,000
MONTREAL & OTTAWA RAILWAY COMPANY		
† 1st Mortgage Bonds.....	5%	1,636,250
† Capital Stock.....		197,000
NAKUSP & SLOCAN RAILWAY COMPANY		
† Mortgage Bonds.....	5%	1,211,750
† Capital Stock.....		300,000
<i>Carried forward</i>		\$136,464,501

STOCKS AND BONDS—LEASED RAILWAY COMPANIES—Continued

		Par Value or Principal Amount
<i>Brought forward</i>		\$136,464,501
NEW BRUNSWICK SOUTHERN RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 500,000
†	Capital Stock.....	49,000
NICOLA, KAMLOOPS & SIMILKAMEEN COAL & 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 & QUEBEC RAILWAY COMPANY		
	Common Stock.....	5,000
ORFORD MOUNTAIN RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 152,000
†	Capital Stock.....	501,000
OTTAWA, NORTHERN & WESTERN RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 3,075,000
†	Capital Stock.....	804,000
ST. JOHN BRIDGE & RAILWAY EXTENSION COMPANY		
†	1st Mortgage Bonds.....	5% 125,000
†	Capital Stock.....	200,000
ST. LAWRENCE & OTTAWA RAILWAY COMPANY		
	Preference Stock.....	466,000
ST. MARY'S & WESTERN ONTARIO RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 356,500
†	Capital Stock.....	250,000
ST. MAURICE VALLEY RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 945,000
†	Capital Stock.....	500,000
SASKATCHEWAN & WESTERN RAILWAY COMPANY		
†	1st Mortgage Bonds.....	5% 181,040
†	Capital Stock.....	232,500
SHUSWAP & OKANAGAN RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 1,250,000
†	Capital Stock.....	741,000
SOUTH ONTARIO PACIFIC RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 495,000
†	Capital Stock.....	200,000
TILSONBURG, LAKE ERIE & PACIFIC RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 1,067,500
†	Capital Stock.....	400,000
TORONTO, GREY & BRUCE RAILWAY COMPANY		
	Capital Stock.....	596,000
VANCOUVER & LULU ISLAND RAILWAY COMPANY		
†	1st Mortgage Bonds.....	5% 455,000
†	Capital Stock.....	25,000
WALKERTON & LUCKNOW RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 740,000
†	Capital Stock.....	19,000
WEST ONTARIO PACIFIC RAILWAY COMPANY		
†	Capital Stock.....	21,000
Cost.....	\$129,693,871	Total \$153,659,041

†Denotes complete ownership.

STOCKS AND BONDS—CONTROLLED COMPANIES

		Par Value or Principal Amount
AROOSTOOK VALLEY RAILROAD COMPANY		
Capital Stock.....		\$ 240,000
CANADIAN PACIFIC AIR LINES, LIMITED		
Capital Stock—No Par Value—800,000 shares...	Cost	4,000,000
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
CHATEAU FRONTENAC COMPANY		
Common Stock.....		280,000
EASTERN ABATTOIRS, LIMITED		
Capital Stock.....		5,700
GRAND RIVER RAILWAY COMPANY		
Mortgage Bonds.....	4%	426,000
Capital Stock.....		125,000
LAKE ERIE & NORTHERN RAILWAY COMPANY		
Consolidated Mortgage Bonds.....	4%	2,317,500
Capital Stock.....		1,403,725
LETHBRIDGE COLLIERIES, LIMITED		
Capital Stock.....		770,000
LORD NELSON HOTEL COMPANY, LIMITED		
Cumulative Preference Stock.....		350,000
Common Stock—No Par Value—1,600 shares ...	Cost	4,500
MERSEY TOWING COMPANY, LIMITED		
Common 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 RAILWAY COMPANY*		
1st Consolidated Mortgage Bonds.....	4%	10,872,000
1st Consolidated Mortgage Bonds.....	5%	759,000
2nd Mortgage Bonds.....	4%	50,000
1st Refunding Mortgage Bonds, Series "B".....	5½%	1,897,500
Secured Notes.....	4%	6,673,388
Secured Notes.....	6%	4,989,500
QUEBEC CENTRAL TRANSPORTATION COMPANY		
Capital Stock.....		42,000
SAULT STE. MARIE BRIDGE COMPANY		
Capital Stock.....		500,000
SEIGNIORY CLUB COMMUNITY ASSOCIATION, LIMITED		
1st Mortgage Income Bonds.....	5%	3,050,000
Capital Stock—No Par Value—10,000 shares....	Cost	500,000
THE ALBERTA STOCK YARDS COMPANY, LIMITED		
Preferred Stock.....		350,000
Common Stock.....		86,000
THE CONSOLIDATED MINING & SMELTING COMPANY OF CANADA, LIMITED		
Capital Stock.....		8,412,500
THE DULUTH, SOUTH SHORE & ATLANTIC RAILWAY COMPANY*		
M. H. & O. Railroad Company Mortgage Bonds	6%	1,077,000
1st Consolidated Mortgage Bonds.....	4%	15,107,000
THE LADYSMITH WATER COMPANY, LIMITED		
Capital Stock.....		50,000
THE NEW BRUNSWICK COLD STORAGE COMPANY, LIMITED		
Cumulative Preference Stock.....		25,000
Capital Stock.....		50,000
<i>Carried forward</i>		\$ 69,657,693

STOCKS AND BONDS—CONTROLLED COMPANIES—Continued

		Par Value or Principal Amount
<i>Brought forward</i>		\$ 69,657,693
THE QUEBEC SALVAGE & WRECKING COMPANY, LIMITED		
Capital Stock.....		180,000
THE SCOTTISH TRUST COMPANY		
† Capital Stock.....		250,000
VANCOUVER ISLAND TRANSPORTATION COMPANY LIMITED		
1st Mortgage Debentures.....	3%	98,250
Capital Stock.....		334,200
OTHER COMPANIES.....	Cost	130,169
Cost.....	\$65,402,759	Total
		<u>\$ 70,650,312</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
CANADIAN PACIFIC CAR & PASSENGER TRANSFER COMPANY, LIMITED		
Common Stock.....		200,000
NORTHERN ALBERTA RAILWAYS COMPANY		
1st Mortgage Bonds.....	5%	13,615,000
Capital Stock.....		312,500
THE PENNSYLVANIA-ONTARIO TRANSPORTATION COMPANY		
Capital Stock.....		187,500
THE PUBLIC MARKETS, LIMITED		
Capital Stock.....		575,000
TORONTO, HAMILTON & BUFFALO RAILWAY COMPANY		
Capital Stock.....		1,469,500
TORONTO TERMINALS RAILWAY COMPANY		
1st Mortgage Bonds.....	5%	12,805,000
Capital Stock.....		250,000
VANCOUVER HOTEL COMPANY LIMITED		
Capital Stock.....		75,000
OTHER INVESTMENTS.....	Cost	3,171,333
Cost.....	\$33,949,193	Total
		<u>\$ 35,094,133</u>

CAPITAL AND DEBENTURE STOCKS

				Total as per Balance Sheet
ORDINARY STOCK:				
Issued: 13,400,000 shares—\$25 Par Value.....				\$335,000,000
PREFERENCE STOCK—4% NON-CUMULATIVE:				
Issued: £28,203,477—in amounts of £1 and multiples thereof.....				\$137,256,921
PERPETUAL 4% CONSOLIDATED DEBENTURE STOCK:				
	Sterling	United States Currency	Canadian Currency	
Issued.....	£ 47,350,321	\$140,110,000	\$ 27,278,000	\$397,826,229
Less: Pledged as collateral.....	—	75,110,000	27,278,000	102,388,000
	<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.....	5%	July 1, 1929	July 1, 1944	Canadian or United States	\$ 18,139,000
Equipment Trust Series "C".....	4½%	Dec. 1, 1930	Serially to Nov. 30, 1945	United States	1,900,000
*Equipment Trust.....	3%	Feb. 1, 1937	Serially to	Canadian	4,556,000
Series "D".....	2½%	Feb. 1, 1937	Jan. 31, 1952	United States	4,556,000
Equipment Trust Series "E".....	3%	June 1, 1938	Serially to May 31, 1953	Canadian	7,920,000
Equipment Trust Series "F".....	3%	Mar. 1, 1943	Serially to Apr. 1, 1953	United States	17,100,000
**COLLATERAL TRUST BONDS:					
Twenty-five Year Gold Bonds.....	5%	Dec. 1, 1929	Dec. 1, 1954	Canadian or United States	27,400,000
Thirty Year Gold Bonds.....	4½%	July 1, 1930	July 1, 1960	Canadian or United States	25,000,000
Convertible Fifteen Year Bonds..... (Conversion privilege has terminated)	4%	July 2, 1934	July 2, 1949	Canadian	12,000,000
Convertible Fifteen Year Bonds..... (Conversion privilege termin- ated February 15, 1944)	3½%	Feb. 15, 1936	Feb. 15, 1951	Canadian	8,000,000
**NOTES:					
Serial Secured Notes.....	3%	Dec. 15, 1942	Serially to Feb. 1, 1948	United States	2,992,600
Serial Secured Notes.....	3%	Mar. 10, 1943	Serially to Feb. 1, 1948	United States	3,750,000
					<u>\$133,313,600</u>

†Securities and cash deposited with Trustee aggregate \$17,395,856.

*Secured in part by pledge of Perpetual 4% Consolidated Debenture Stock aggregating, in principal amount, \$2,278,000.

**Secured by pledge of Perpetual 4% Consolidated Debenture Stock aggregating, in principal amount, \$100,110,000.

LAND SURPLUS ACCOUNT

Land Surplus December 31, 1942.....		\$ 62,815,415
Land and Townsite Sales.....	\$ 2,811,111	
Miscellaneous Receipts.....	1,269,137	
		4,080,248
		\$ 66,895,663
DEDUCT:		
Land and irrigation expenses.....	\$ 639,155	
Taxes.....	752,142	
Inventory value of lands sold.....	1,467,422	
Land contracts cancelled.....	\$ 2,099,606	
Less: Inventory value of lands reacquired.....	595,942	
		1,503,664
Miscellaneous adjustments.....		243
		4,362,626
Land Surplus December 31, 1943, as per Balance Sheet.....		\$ 62,533,037

CONTINGENT LIABILITIES IN RESPECT OF SECURITIES OF LEASED RAILWAY COMPANIES

DESCRIPTION	RATE	PRINCIPAL OUTSTANDING	NATURE OF OBLIGATION
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 & NORTH-WEST RAILWAY COMPANY			
First Mortgage Redeemable Debenture Stock, maturing January 1, 1957.	4%	6,326,667	Guarantee of principal and interest.
CALGARY & 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 & BRANDON RAILWAY COMPANY			
First Mortgage Bonds, maturing January 1, 2000.....	4%	125,000	Covenant in lease to pay principal upon expiry of term (January 1, 2000).
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.
LORD NELSON HOTEL COMPANY, LIMITED			
First Mortgage Sinking Fund Bonds, maturing November 1, 1947.....	4%	600,000	Guarantee of interest.
MINNEAPOLIS, ST. PAUL & SAULT STE. MARIE RAILWAY COMPANY			
Second Mortgage Bonds, maturing January 1, 1949.....	4%	3,500,000	Guarantee of interest.
First Refunding Mortgage Bonds, Series "B," maturing July 1, 1978..	5½%	24,606,000‡	Guarantee of interest.

Of the First Consolidated Mortgage Bonds of the Minneapolis, St. Paul & Sault Ste. Marie Railway Company which matured on July 1, 1938, \$56,863,000 of the 4% and \$8,136,000 of the 5% were guaranteed as to interest by your Company. These bonds were not redeemed at maturity and several actions have been commenced by holders of some of them, claiming that the obligation of your Company under its guarantee of interest thereon extends beyond their maturity. Your Company is advised that its guarantee terminated with the instalment of interest due July 1, 1938, and that it has a good defence to these actions.

*Includes \$262,006 held in Sinking Fund and \$10,714 held in the Treasury.

†Includes \$80,000 held in the Treasury.

‡Includes \$1,897,500 owned by your Company and \$12,500,000 pledged as collateral for notes, all of which, except \$10,500, are owned by your Company.

OTHER CONTINGENT LIABILITIES

In addition to the foregoing, there are certain other contingent liabilities which may be briefly described as follows:—

NORTHERN ALBERTA RAILWAYS COMPANY.—Agreement binding your Company jointly and equally with Canadian National Railway Company to indemnify the Government of Alberta against liability under its guarantee of principal of \$2,420,000 First Mortgage 4½% Bonds maturing October 22, 1944, of the Edmonton, Dunvegan and British Columbia Railway Company. This obligation has been assumed by the Northern Alberta Railways Company, which is controlled jointly with the Canadian National Railway Company.

TORONTO, HAMILTON AND BUFFALO RAILWAY COMPANY.—Joint and several agreement with Michigan Central Railroad Company, New York Central Railroad Company and Canada Southern Railway Company to make up to 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 of the issuing company.

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

GROSS EARNINGS

Freight.....	\$ 217,943,039
Passenger.....	51,168,685
Mail.....	3,961,010
Express.....	6,672,097
Sleeping, Parlor and Dining Car and Miscellaneous.....	17,362,960
Total.....	<u>\$ 297,107,791</u>

WORKING EXPENSES

Maintenance of Way and Structures.....	\$ 46,757,704
Maintenance of Equipment.....	53,339,880
Traffic.....	4,536,772
Transportation.....	95,613,960
Miscellaneous Operations.....	6,439,998
General.....	9,659,265
Railway Tax Accruals.....	31,548,645
Total.....	<u>\$ 247,896,224</u>

OTHER INCOME

Dividends.....	\$ 4,652,852
Net income from interest, exchange, separately operated properties and miscellaneous.....	7,886,890
Net earnings from ocean and coastal steamships after provision of \$1,991,528 for depreciation.....	2,133,530
Net earnings from hotel, communication and miscellaneous properties after provision of \$2,651,357 for depreciation.....	1,597,479
Total.....	<u>\$ 16,270,751</u>

FIXED CHARGES

RENT FOR LEASED ROADS:

Alberta Railway & Irrigation Company.....	\$ 1,290
Algoma Eastern Railway.....	111,325
Atlantic & North-West Railway.....	253,067
Calgary & Edmonton Railway.....	218,358
Connecticut & Passumpsic Rivers Railroad.....	246,000
Dominion Atlantic Railway.....	168,500
Fredericton & Grand Lake Coal & Railway.....	50,448
Glengarry & Stormont Railway.....	48,932
Guelph Junction Railway.....	46,683
Joliette & Brandon Railway.....	5,000
Lacombe & North Western Railway.....	11,061
Lindsay, Bobcaygeon & Pontypool Railway.....	20,000
Montreal & Atlantic Railway.....	33,120
New Brunswick Railway System.....	390,187
Ontario & Quebec Railway.....	1,234,795
Quebec Central Railway.....	634,754
St. Lawrence & Ottawa Railway.....	38,933
St. Stephen & Milltown Railway.....	2,050
Southampton Railway.....	1,288
Tobique Railway.....	15,439
Toronto, Hamilton & Buffalo Railway.....	8,717
Winnipeg River Railway.....	1
	\$ 3,539,948

INTEREST ON DEBENTURE STOCK AND FUNDED DEBT:

Perpetual 4% Consolidated Debenture Stock.....	\$ 11,817,529
Equipment Obligations.....	1,939,589
20 Year 4½% Collateral Trust Gold Bonds.....	660,000
25 Year 5% Collateral Trust Gold Bonds.....	1,384,147
30 Year 4½% Collateral Trust Gold Bonds.....	1,125,000
Convertible 15 Year 4% Collateral Trust Bonds.....	480,000
Convertible 15 Year 3½% Collateral Trust Bonds.....	300,391
Convertible 9½ Year 3% Collateral Trust Bonds.....	78,750
Serial 4% Secured Notes.....	25,439
Serial 3% Secured Notes.....	181,829
Serial 3½% Secured Notes.....	64,166
	18,056,840

INTEREST ON UNFUNDED DEBT.....	21,224
AMORTIZATION OF DISCOUNT ON FUNDED DEBT.....	177,824

\$ 21,795,836

MILEAGE

CANADIAN PACIFIC RAILWAY—	Miles Operated	
New Brunswick District.....	841.7	
Quebec “.....	1,658.4	
Ontario “.....	1,422.6	
Algoma “.....	1,223.0	
Manitoba “.....	2,516.0	
Saskatchewan “.....	3,625.7	
Alberta “.....	3,102.6	
British Columbia “.....	1,987.4	
Dominion Atlantic Lines.....	304.0	
Quebec Central Lines.....	356.5	
Total.....		17,037.9
CANADIAN PACIFIC ELECTRIC LINES—		
Grand River Railway.....	18.4	
Lake Erie & Northern Railway.....	51.0	
		69.4
		17,107.3
CONTROLLED RAILWAY COMPANIES—		
Aroostook Valley Railroad.....	32.1	
Minneapolis, St. Paul & Sault Ste. Marie Railway.....	3,219.1 [⊗]	
The Duluth, South Shore & Atlantic Railway.....	536.6	
Mineral Range Railroad.....	26.1	
		562.7 [⊗]
		3,813.9
		20,921.2

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

ROLLING STOCK

(Including equipment of leased subsidiaries)

Locomotives.....	1,713
First and second class Passenger, Tourist Sleeping, Baggage, Mail and Express Cars*.....	2,238
First class Sleeping, Parlor and Dining Cars.....	551
Freight Cars (all kinds).....	74,702
Conductors' Vans.....	1,157
Boarding, Tool and Auxiliary Cars and other Work Equipment.....	5,050
*Includes 20 Cars in Toronto, Hamilton and Buffalo Line Service in which the Company owns 36.04% interest.	

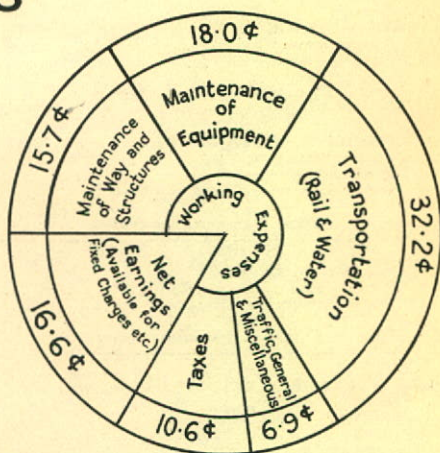
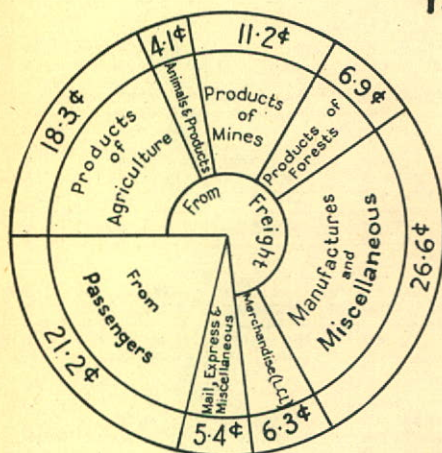
HOTELS

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.

CANADIAN PACIFIC RAILWAY COMPANY THE RAILWAY DOLLAR

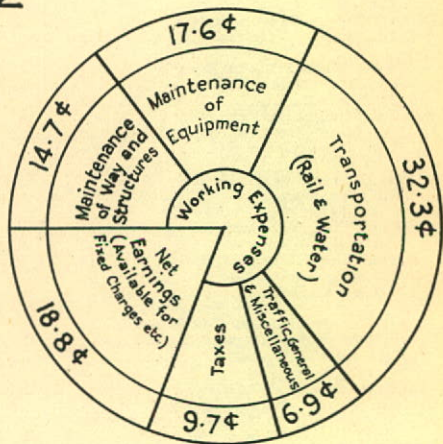
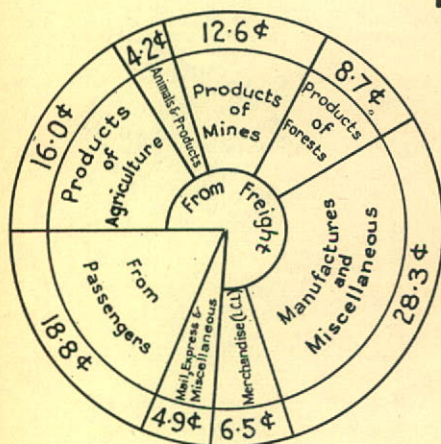
1943



WHERE THE EARNINGS CAME FROM

WHERE THE EARNINGS WENT TO

1942



TRANSPORTATION AND TRAFFIC STATISTICS





	Year 1943	Year 1942	Increase or Decrease	
			Amount or Number	Per Cent.
AVERAGE MILES OF ROAD OPERATED.....	17,034.6	17,076.9	42.3	.2
TRAIN MILEAGE				
Freight Service.....	32,846,480	31,279,216	1,567,264	5.0
Passenger Service.....	20,014,889	19,078,090	936,799	4.9
Total Transportation Service.....	52,861,369	50,357,306	2,504,063	5.0
LOCOMOTIVE MILEAGE				
Freight Service.....	37,142,270	35,290,536	1,851,734	5.2
Passenger Service.....	20,977,895	19,824,730	1,153,165	5.8
Switching Service—Road and Yard.....	13,815,479	12,550,495	1,264,984	10.1
Total Transportation Service.....	71,935,644	67,665,761	4,269,883	6.3
GROSS TON MILEAGE				
Freight Service—Cars and Contents.....	54,065,421,000	50,846,473,000	3,218,948,000	6.3
Passenger Service—Cars only.....	13,111,714,000	11,959,285,000	1,152,429,000	9.6
Total Transportation Service.....	67,177,135,000	62,805,758,000	4,371,377,000	7.0
CAR MILEAGE				
FREIGHT				
Loaded.....	794,592,698	770,124,334	24,468,364	3.2
Empty.....	384,008,156	362,031,574	21,976,582	6.1
Caboose.....	35,042,400	33,207,241	1,835,159	5.5
Total.....	1,213,643,254	1,165,363,149	48,280,105	4.1
PASSENGER				
Coaches.....	61,716,433	56,253,154	5,463,279	9.7
Sleeping, Parlor and Observation.....	58,938,138	53,420,778	5,517,360	10.3
Dining.....	9,940,585	9,013,355	927,230	10.3
Other.....	50,699,808	47,070,741	3,629,067	7.7
Total.....	181,294,964	165,758,028	15,536,936	9.4
Total Transportation Service.....	1,394,938,218	1,331,121,177	63,817,041	4.8
FREIGHT TRAFFIC—RAIL				
Freight revenue.....	\$217,030,812	\$194,667,014	\$22,363,798	11.5
Tons—Revenue freight.....	52,551,696	47,972,082	4,579,614	9.5
Tons—All freight.....	59,495,888	54,376,448	5,119,440	9.4
Ton miles—Revenue freight.....	24,950,848,000	22,600,287,000	2,350,561,000	10.4
Ton miles—All freight.....	26,790,312,000	24,593,200,000	2,197,112,000	8.9
AVERAGES PER MILE OF ROAD				
Freight revenue.....	\$12.741	\$11.399	\$1.342	11.8
Train miles.....	1,928	1,832	96	5.2
Total freight train car miles.....	71,246	68,242	3,004	4.4
Ton miles—Revenue freight.....	1,464,716	1,323,442	141,274	10.7
Ton miles—All freight.....	1,572,700	1,440,144	132,556	9.2
AVERAGES PER TRAIN MILE				
Freight revenue.....	\$6.61	\$6.22	\$0.39	6.3
Loaded freight car miles.....	24.2	24.6	.4	1.6
Empty freight car miles.....	11.7	11.6	.1	.9
Car miles—All classes.....	37.1	37.4	.3	.8
Ton miles—Revenue freight.....	759.6	722.5	37.1	5.1
Ton miles—All freight.....	815.6	786.2	29.4	3.7
Gross ton miles.....	1,646.0	1,625.6	20.4	1.3
AVERAGES PER LOADED CAR MILE				
Freight revenue (cents).....	27.3	25.3	2.0	7.9
Ton miles—All freight.....	33.7	31.9	1.8	5.6
MISCELLANEOUS AVERAGES				
Revenue per ton of freight.....	\$4.13	\$4.06	\$0.07	1.7
Revenue per ton mile of freight (cents).....	0.87	0.86	.01	1.2
Miles hauled—Revenue freight.....	474.8	471.1	3.7	.8
Miles hauled—All freight.....	450.3	452.3	2.0	.4

TRANSPORTATION AND TRAFFIC STATISTICS—Continued

	Year 1943	Year 1942	Increase or Decrease	
			Amount or Number	Per Cent.
CLASSIFICATION OF REVENUE TONNAGE CARRIED				
Products of Agriculture.....	14,289,878	10,916,653	3,373,225	30.9
Animals and Products.....	1,184,714	1,012,969	171,745	17.0
Products of Mines.....	19,166,327	18,816,777	349,550	1.9
Products of Forests.....	4,820,836	4,922,036	101,200	2.1
Manufactures and Miscellaneous.....	11,839,891	11,213,906	625,985	5.6
Total Carload Traffic.....	51,301,646	46,882,341	4,419,305	9.4
All less carload freight.....	1,250,050	1,089,741	160,309	14.7
Total Carload and L.C.L. Traffic.....	52,551,696	47,972,082	4,579,614	9.5
PASSENGER TRAFFIC—RAIL				
Passenger revenue.....	\$50,943,979	\$39,159,226	\$11,784,753	30.1
Passenger service train revenue.....	\$67,124,192	\$52,009,117	\$15,115,075	29.1
Revenue passengers carried.....	17,596,674	13,456,943	4,139,731	30.8
Revenue passenger miles.....	2,631,916,000	2,097,032,000	534,884,000	25.5
AVERAGES PER MILE OF ROAD				
Passenger revenue.....	\$2.991	\$2.293	\$698	30.4
Passenger service train revenue.....	\$3.940	\$3.046	\$894	29.3
Train miles.....	1,175	1,117	58	5.2
Total passenger train car miles.....	10,643	9,707	936	9.6
Revenue passenger miles.....	154,504	122,799	31,705	25.8
AVERAGES PER TRAIN MILE				
Passenger revenue.....	\$2.55	\$2.05	\$0.50	24.4
Passenger service train revenue.....	\$3.35	\$2.73	\$0.62	22.7
Car miles—All classes.....	8.8	8.4	.4	4.8
Revenue passenger miles.....	131.5	109.9	21.6	19.7
Gross ton miles.....	655.1	626.9	28.2	4.5
AVERAGES PER CAR MILE—PASSENGER				
Passenger revenue (cents).....	39.0	33.0	6.0	18.2
Revenue passenger miles.....	20.2	17.7	2.5	14.1
MISCELLANEOUS AVERAGES				
Revenue per passenger.....	\$2.90	\$2.91	\$0.01	.3
Revenue per passenger mile (cents).....	1.94	1.87	.07	3.7
Miles carried—Revenue passengers.....	149.6	155.8	6.2	4.0
TOTAL TRAFFIC—RAIL				
AVERAGES PER MILE OF ROAD				
Train miles.....	3,103	2,949	154	5.2
Car miles.....	81,889	77,949	3,940	5.1
Operating revenues.....	\$17,486	\$15,070	\$2,416	16.0
Operating expenses.....	\$12,638	\$10,691	\$1,947	18.2
Net operating revenue.....	\$4,848	\$4,379	\$469	10.7
AVERAGES PER TRAIN MILE				
Operating revenues.....	\$5.63	\$5.11	\$0.52	10.2
Operating expenses.....	\$4.07	\$3.63	\$0.44	12.1
Net operating revenue.....	\$1.56	\$1.48	\$0.08	5.4
TOTAL TRAFFIC—RAIL AND INLAND WATER LINES				
Operating revenues.....	\$299,023,042	\$258,788,455	\$40,234,587	15.5
Operating expenses.....	\$216,347,579	\$183,755,422	\$32,592,157	17.7
Net operating revenue.....	\$82,675,463	\$75,033,033	\$7,642,430	10.2
Tax accruals, net of hire of equipment and joint facility rents.....	\$33,463,896	\$26,845,344	\$6,618,552	24.7
Net earnings.....	\$49,211,567	\$48,187,689	\$1,023,878	2.1
Per cent. operating expenses to operating revenues.....	72.35	71.01	1.34	1.9
Payroll charged operating expenses.....	\$111,805,234	\$100,538,444	\$11,266,790	11.2
Per cent. payroll to operating revenues.....	37.39	38.85	1.46	3.8
Per cent. payroll to operating expenses.....	51.68	54.71	3.03	5.5



Canadian Pacific Services

-  Canadian Pacific Railway
-  Northern Alberta Railways
-  Canadian Pacific Steamships
-  Canadian Pacific Airlines

