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CANADIAN PACIFIC RAILWAY COMPANY

ANNUAL REPORT

FOR THE
YEAR ENDED DECEMBER 31

1942

MONTREAL, MARCH, 1943

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CANADIAN PACIFIC RAILWAY COMPANY

NOTICE TO SHAREHOLDERS

The Sixty-second 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 fifth 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 thirteenth 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 sixth day of May.

By order of the Board,

F. BRAMLEY,
Secretary.

MONTREAL, March 8, 1943.



BOARD OF DIRECTORS

SIR EDWARD BEATTY, G.B.E.	- - - - -	MONTREAL.
L. J. BELNAP	- - - - -	do
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.
RT. HON. REGINALD MCKENNA, P.C.	- - - - -	LONDON, ENG.
R. S. McLAUGHLIN	- - - - -	OSHAWA.
ROSS H. McMASTER	- - - - -	MONTREAL.
MAJ.-GEN. FRANK S. MEIGHEN, C.M.G.	- - - - -	do
W. M. NEAL	- - - - -	do
SIR EDWARD PEACOCK, G.C.V.O.	- - - - -	LONDON, ENG.
ROBERT C. STANLEY	- - - - -	NEW YORK.
MORRIS W. WILSON	- - - - -	MONTREAL.

EXECUTIVE COMMITTEE

SIR EDWARD BEATTY, G.B.E.	L. J. BELNAP
D. C. COLEMAN	ROSS H. McMASTER
W. M. NEAL	MORRIS W. WILSON

OFFICERS

CHAIRMAN	SIR EDWARD BEATTY, G.B.E.	MONTREAL.
PRESIDENT	D. C. COLEMAN	do
VICE-PRESIDENT	W. M. NEAL	do
VICE-PRESIDENT AND GENERAL COUNSEL	E. P. FLINTOFT, 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	N. R. CRUMP	do
ASSISTANT TO THE VICE-PRESIDENT	A. LYLE	do

FINANCIAL AND ACCOUNTING DEPARTMENTS

VICE-PRESIDENT AND TREASURER	L. B. UNWIN	MONTREAL.
ASSISTANT TO VICE-PRESIDENT	J. A. DUNDAS	do
ASSISTANT TREASURER	A. E. H. CHESLEY	do
ASSISTANT TREASURER	T. H. MOFFITT	do
COMPTROLLER	E. A. LESLIE	do
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.

Eastern Lines:

OPERATING DEPARTMENT

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	H. A. GREENIAUS	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	C. E. STOCKDILL	do
ASST. GEN. MANAGER, BRITISH COLUMBIA DIST.	A. C. 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
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
CHIEF COMM. OF IMMIGRATION 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.
ACTING EUROPEAN MANAGER	F. W. MOTTLEY, Trafalgar Square	LONDON.
DEPUTY SECRETARY AND REGISTRAR OF TRANSFERS	F. J. WHIDDETT, 8 Waterloo Place	do

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.

CANADIAN PACIFIC RAILWAY COMPANY

SIXTY-SECOND ANNUAL REPORT

OF THE

DIRECTORS OF CANADIAN PACIFIC RAILWAY COMPANY

YEAR ENDED DECEMBER 31, 1942

To the Shareholders:

The accounts of the Company for the year ended December 31, 1942, show the following results:—

INCOME ACCOUNT

Gross Earnings.....		\$256,864,091
Working Expenses (including taxes).....		208,676,402
Net Earnings.....		\$ 48,187,689
Other Income.....		15,861,034
		<u>64,048,723</u>
Fixed Charges.....	\$ 22,955,503	
Interest on bonds of Minneapolis, St. Paul & Sault Ste. Marie Railway Company, guaranteed as to interest by your Company.....	738,953	23,694,456
Net Income.....		\$ 40,354,267
Dividends on Preference Stock:		
2% paid August 1, 1942—£564,070.....	\$ 2,521,391	
2% payable February 1, 1943—£564,070.....	2,521,391	
		<u>5,042,782</u>
Balance transferred to Profit and Loss Account.....		<u>\$ 35,311,485</u>

PROFIT AND LOSS ACCOUNT

Profit and Loss Balance December 31, 1941.....	\$170,385,936
Balance of Income Account for the year ended December 31, 1942.....	35,311,485
	\$205,697,421
DEDUCT:	
Loss on lines abandoned and on property retired and not replaced.....	\$ 3,576,565
Exchange adjustment in respect of sterling proceeds from steamship sales and insurance recoveries.....	846,871
Miscellaneous—Net Debit.....	23,502
	4,446,938
Profit and Loss Balance December 31, 1942, as per Balance Sheet.....	\$201,250,483

Net Income for the year amounted to \$40,354,267, being \$5,992,835 greater than in 1941.

RAILWAY EARNINGS AND EXPENSES

The comparative results of railway operations were as follows:

	1942	1941	Increase or <i>Decrease</i>
Gross Earnings.....	\$256,864,091	\$221,446,053	\$ 35,418,038
Working Expenses (including taxes)...	208,676,402	175,488,517	33,187,885
Net Earnings.....	\$ 48,187,689	\$ 45,957,536	\$ 2,230,153
Expense ratios:			
Including taxes.....	81.24%	79.25%	1.99
Excluding taxes.....	71.54%	71.65%	.11

GROSS EARNINGS increased by \$35,418,038, or 16.0%, and were greater than in any previous year in the history of your Company, exceeding those of 1928 by \$14,885,630, or 6.2%.

FREIGHT EARNINGS increased by \$18,496,666, or 10.4%. Increases were reported in all commodities except grain. The movement of manufactured goods increased principally as a result of the greatly expanded output of munitions of war. Developments such as the Alaska Highway, the enlarged shipbuilding programme, and the construction of naval depots and airfields at various points also contributed to the growth of freight traffic. The curtailment of ocean and coastal transport owing to the shortage of shipping increased the rail movement of such staples as coal and oil, and restrictions on highway transport contributed to an increase in short haul traffic.

Earnings from grain and grain products decreased \$6,041,016, or 15.5%, in spite of the fact that the largest Prairie wheat crop on record—565 million bushels—was harvested this year. The lack of adequate

shipping, as well as the closing of important export markets, created serious storage problems at the Lakehead and at other terminal points, thus restricting the movement of grain. Grain handlings on your Company's lines dropped to 181 million bushels as compared with 215 million in 1941 and were somewhat less than the average of 183 million bushels for the fifteen years, 1927-41. At the end of the year, only 10% of the wheat available for movement in the Prairie Provinces had been transported, and there remained to be shipped approximately 570 million bushels, or 80% more than at the close of 1941.

Revenue freight traffic totalled 22,600 million ton miles, 225 million greater than in 1941 and 4,177 million greater than in 1928. The average revenue per ton mile was 0.86 cents as compared with 0.79 cents in 1941 and 0.96 cents in 1928.

PASSENGER EARNINGS increased by \$14,041,105, or 55.5%, and were the highest since 1921. Travel, with the exception of long distance holiday traffic, showed heavy increases over practically all sections of your Company's lines. Civilian travel was exceptionally heavy in spite of the elimination of many classes of reduced fares. The growth in passenger traffic resulted partly from the restriction of automobile travel through the rationing of gasoline and the shortage of rubber for tires. The average passenger journey was 156 miles, compared with 144 miles in 1941, the longest previously recorded. The heavy movement of the armed forces, both on duty and on leave, and the low rates applicable to such traffic contributed to the reduction in the average revenue per passenger mile which was 1.87 cents, the lowest since 1910.

OTHER EARNINGS increased by \$2,880,267, or 15.4%. Substantial increases occurred in revenues from news services and from dining, sleeping and parlor cars. Net payments for hire of equipment increased \$930,104 as a result of a greater movement of commodities in tank cars, gondolas and covered hopper cars owned by private operators and by United States railways.

WORKING EXPENSES increased by \$33,187,885, or 18.9%. Exclusive of taxes the increase was \$25,100,063, or 70.9% of the increase in gross earnings. The wartime cost-of-living bonus paid to employees amounted to approximately \$12,000,000, an increase of about \$7,500,000 over the previous year. The bonus rate of \$3.65 per week which went into effect November 16, 1941, was increased under Order-in-Council P.C. 5963 to \$4.25 per week effective August 15, 1942. In spite of the increased wage and material costs the ratio of working expenses (excluding taxes) to gross earnings was reduced from 71.65% in 1941 to 71.54% in 1942.

MAINTENANCE OF WAY AND STRUCTURES EXPENSES increased by \$8,461,192. The continuing heavy traffic brought about a considerable

rise in current maintenance requirements, but shortage of labour and materials compelled the restriction of the work undertaken to those repairs and replacements essential for safe operation. During the year 1,751,285 treated and 1,207,188 untreated ties were placed in track and 300 single track miles of new rail were laid. Tie plates to the number of 2,826,930 and rail anchors numbering 1,260,140 were also installed. Examination of rails by Sperry detector car for invisible defects was continued. It extended over 8,161 miles of track from which all rails indicated as defective were removed. Provision of \$3,750,000 for additional maintenance expenditures which have been postponed until after the war, was included in the expenses for the year. Accrual of depreciation on bridges, buildings and other structures was put into effect on July 1. For the half-year, this amounted to \$2,735,370 and was credited to Depreciation Reserve—Road.

MAINTENANCE OF EQUIPMENT EXPENSES increased by \$3,838,701. Locomotive repairs involved an expenditure of \$11,074,361 and included the shopping of 821 engines for heavy repairs. Maintenance of passenger train cars cost \$6,505,893 and included the general overhauling of 1,272 units. To meet special requirements resulting from wartime conditions, 10 compartment observation sleeping cars were converted to coaches, 11 lounge and sleeping cars were air-conditioned and converted to other classes of dining, parlor and sleeping car equipment, and 7 through baggage cars originally designed for handling silk were converted to regular baggage cars. Electric lights were installed in 35 coaches and colonist cars formerly equipped with gas lighting. The maintenance of freight train cars cost \$10,685,545 and included heavy repairs to 26,272 cars. Arch bar trucks were replaced by cast steel truck side frames on 3,519 cars to make them available for interchange traffic. At the end of the year, 93.2% of locomotives and 97.7% of freight cars were in serviceable condition, as compared with 92.3% and 98.0%, respectively, in 1941. Charges for depreciation of rolling stock amounted to \$12,777,310, as compared with \$12,700,602 in 1941. Accrual of depreciation on shop and power plant machinery was put into effect on July 1. This amounted to \$882,042 and was credited to Depreciation Reserve—Road.

TRANSPORTATION EXPENSES increased by \$10,653,857. The ratio to gross earnings was reduced to 32.27%, the lowest on record. There was a substantial improvement in passenger service performance. The average number of passengers per train mile was 110, an increase of 47.9%, while the average train consisted of 8.4 cars, an increase of 7.7%. Another favourable factor was the heavy loading and better utilization of freight cars. In spite of a substantial decrease in the movement of grain, a commodity which loads heavily, the average freight car load showed a slight improvement, being 31.93 tons compared with 31.86 in 1941.

Although loaded car miles increased 0.9%, empty car miles were reduced by 13.5%. As against these favourable factors, the movement of trains on many sections of the line was rendered more difficult owing to the increased density of traffic. This led to a slightly less satisfactory freight train performance in certain respects as indicated by the following indices:

	1942	1941
Freight train load—gross tons	1,711	1,759
Freight train fuel consumption—pounds per 1,000 gross ton miles	101	98
Freight train speed—miles per hour	16.7	17.2
Gross ton miles per freight train hour	28,514	30,312

OTHER WORKING EXPENSES increased by \$10,234,135, of which \$8,087,822 was attributable to heavier taxes. Railway tax accruals, including \$21,300,000 for Dominion Income and Excess Profits taxes, were \$24,920,980. Expenses of dining and buffet service were higher by \$828,785 and news service by \$473,956.

OTHER INCOME

Other income amounted to \$15,861,034, an increase of \$2,478,975, or 18.5%.

Dividend income decreased by \$1,671. Dividends of \$2.50 per share—the same rate as in 1941—were received from The Consolidated Mining and Smelting Company of Canada, Limited.

Net income from interest, exchange, separately operated properties and miscellaneous sources increased by \$2,523,799. A marked improvement took place in the operating results of the Northern Alberta Railways Company, which enjoyed a very large volume of traffic from special war projects and related activities in Northwestern Canada. As a result of additions to sinking and other reserve funds there was an increase in the income from this source, and the amount of your Company's management fees under its contracts with the Government was larger owing to the growth of production of munitions in the shops.

Net earnings of ocean and coastal steamships were \$2,888,278, an increase of \$99,981. All units of your ocean and coastal fleets were actively employed throughout the year.

Net earnings of hotel, communication and miscellaneous properties decreased by \$143,134. The reduction in hotel earnings amounted to \$354,228. Your hotels at Yarmouth, Lake Louise and Emerald Lake and four lodges were not in operation during the year. Holiday tourist business at your other hotels and camps declined sharply. The net earnings of the Communications Department showed a gain of \$177,898, owing to heavier telegraph and cable traffic and increased receipts from leased wires. Net earnings of miscellaneous properties increased \$33,196. Depreciation accounting was extended from July 1 to include the depreciable proportion of communication and miscellaneous properties.

FIXED CHARGES AND GUARANTEED INTEREST

Fixed charges decreased by \$1,273,195. The principal reductions resulted from the retirement without refunding of the Convertible Ten Year 6% Collateral Trust Bonds, of the Twenty Year 4½% Sinking Fund Secured Note Certificates on which interest was accrued to June 15, 1941, and of various equipment obligations.

The amount charged to income on account of guaranteed interest on Soo Line bonds was \$738,953, compared with \$749,465 in the previous year.

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.

It is the decision of your Directors that no dividend on Ordinary Stock should be declared from the earnings of the year 1942.

During the past three years, the Funded Debt of your Company has been substantially reduced, but fixed charges are still higher than they were when dividends were last paid. It is felt that these should be brought down to something like the former level before distribution to shareholders is renewed.

Your Directors have in mind that after the war there will probably be a period of readjustment with unpredictable reactions on the earnings and expenses of transportation companies. After careful consideration of all factors, they have come to the conclusion that it is in the best interests of the shareholders to conserve your Company's resources, so that it may face the problems and difficulties of the post-war period in a strong financial position.

PROFIT AND LOSS ACCOUNT

Net charges to profit and loss amounted to \$4,446,938, as compared with \$2,978,009 for 1941. One of the principal items was the retirement of track and other facilities at Transcona Yard, near Winnipeg, which have been rendered unnecessary by present operating methods and traffic conditions. A branch line from Lardeau to Gerrard in the Province of British Columbia, 33.1 miles in length, was abandoned during the year and the investment written off. Various miscellaneous properties and portions of facilities no longer required for operation were also written off.

The profit and loss balance at the close of the year was higher by \$30,864,547 than at the end of 1941.

LAND ACCOUNTS

During the year 94,233 acres of agricultural lands were sold for \$488,239, an average price of \$5.18 per acre. Included in this total were 146 acres of irrigated land, sold at an average price of \$45.32 per acre.

Cash received on land account totalled \$2,680,637, including \$517,512 for rents and royalties from coal lands and gas and petroleum rights. Disbursements for land and irrigation expenses, including taxes, were \$1,519,889, leaving net cash receipts of \$1,160,748. This was a decrease of \$398,180 from the previous year.

In pursuance of the policy of rendering assistance to farmers in the Western Provinces who have suffered through adverse conditions, your Company continued in the current crop year the same rebates of interest and other concessions as were granted in 1941. The total amount of assistance to holders of farm contracts since 1932 has been \$19,428,340.

BALANCE SHEET

The principal changes during the year in the General Balance Sheet accounts, not dealt with elsewhere, are outlined below.

A new account was established, entitled Depreciation Reserve—Road. In addition to the current transactions of the year there was transferred to this account an amount of \$74,728,521, representing appropriations made from surplus during the years 1904 to 1913 which had been applied in reduction of Property Investment.

Net discount on early issues of stock, amounting to \$33,985,694, which had been charged to Property Investment and other accounts, was transferred and applied against Premium on Capital and Debenture Stock. This account now includes for the first time the entire premium and discount on your Company's stock issues, comprising net premium of \$74,873,749 on the Ordinary Stock, and net discounts of \$15,756,129 on the Preference Stock and \$24,551,668 on the Perpetual 4% Consolidated Debenture Stock.

Investments have been set aside in a Maintenance Fund equal in amount to the Maintenance Reserves, which at the close of the year amounted to \$7,250,000.

Two of your Company's ocean steamships were purchased during the year by the Ministry of War Transport of the United Kingdom. The proceeds of these sales and insurance recovered on other steamships were added to the Steamship Replacement Fund. Further amounts have been placed to the credit of your Company by the Ministry in a special account which may be drawn upon under conditions set forth by the Minister as replacements are effected.

The excess of Current Assets over Current Liabilities was \$59,583,344, an increase of \$1,673,921. Miscellaneous Accounts Receivable were \$17,841,429, of which \$8,816,748 was on Dominion Government account. Other Current Liabilities were \$18,131,343, of which \$11,563,368 was on account of accrued taxes.

FINANCE

On March 15, 6% Collateral Trust Bonds to the amount of \$11,124,500 matured. By the end of the year \$10,389,500 of these bonds had been redeemed, and the amount owing with respect to the remaining \$735,000 is included in the Balance Sheet under Other Current Liabilities. The following securities were purchased and cancelled—3% Collateral Trust Bonds due 1945 to the amount of \$2,500,000, 5% Collateral Trust Gold Bonds due 1954 to the amount of \$2,000,000 and 4½% Collateral Trust Gold Bonds due 1946 to the amount of \$1,000,000. Consolidated Debenture Stock to the amount of \$20,879,400, pledged as collateral to these bonds, was released and cancelled.

Equipment obligations to the amount of \$3,918,202 matured and were paid, and Consolidated Debenture Stock to the amount of \$268,000 pledged under Series "D" was released and cancelled. The sum of \$2,753,310 was deposited with the Trustee of the Equipment Trust maturing July 1, 1944, and under authority of the Trust Agreement the Trustee purchased and cancelled \$896,000 of the Equipment Trust Certificates. On December 31, the balance of \$8,624,624 due to the Dominion Government on the Equipment Lease dated June 6, 1940, was prepaid.

On February 1, 4% Serial Secured Notes to the amount of \$638,285 were redeemed, and Consolidated Debenture Stock to the amount of \$1,523,500, pledged as collateral, was released and cancelled. On December 15, \$3,281,860 of these notes were refunded by the issue of notes to the amount of \$3,280,000 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 value of \$2,231,500 was released and cancelled. Owing to the enhanced market value of Consolidated Debenture Stock, it was possible at the same time to withdraw and cancel \$2,755,000 of such stock from the collateral held against the remainder of the 4% Notes.

On December 1, 3% Serial Secured Notes due December 1, 1944, to the amount of \$2,000,000 were prepaid. On such prepayment Consolidated Debenture Stock to the amount of \$1,200,000, pledged as collateral, was released and cancelled, and 52,000 shares of capital stock of The Consolidated Mining and Smelting Company of Canada, Limited, were released.

During the year \$603,500 of matured but unredeemed 4½% Sinking Fund Note Certificates were paid, and \$37,000 of matured but unredeemed Collateral Trust Bonds were also paid. Consolidated Debenture Stock to the amount of \$44,400, pledged as collateral to the bonds, was released and cancelled.

On February 16, the First Mortgage Debenture Stock of the Edmonton, Dunvegan and British Columbia Railway Company, aggregating

£1,438,356, matured and was paid by the Northern Alberta Railways Company. To place this jointly controlled subsidiary company in funds to meet this maturity, with respect to which the Canadian National Railway Company and your Company had jointly and equally agreed to indemnify the Government of Alberta against liability under its guarantee of principal, the subsidiary issued and sold at par to the two parent companies \$6,430,000 of its bonds, your Company's proportion of such issue being \$3,215,000.

The financial transactions referred to above, together with the payment to the Dominion Government on January 2, 1942, of \$980,940, referred to in the Annual Report for 1941, resulted in the retirement without refunding of \$35,447,221 of bonds, notes and other obligations, the discharge of a contingent liability of \$3,500,000, and in a reduction of \$28,901,800 in the amount of Consolidated Debenture Stock pledged as collateral.

PENSIONS

Working expenses were charged with \$4,076,705, representing your Company's proportion of pension allowances, its contributions to the Pension Trust Fund and the levies in respect of employees who come under the United States Railroad Retirement Act. In view of the higher level of employment and increased rates of pay, as well as the declining trend of return on investments, your Directors authorized an increase from \$400,000 to \$700,000 in the special contributions 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 649. 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 356 than at the end of 1941.

Distribution by ages was as follows:

Under 60 years of age	278
From 60 to 64 years of age inclusive	587
From 65 to 70 years of age inclusive	2,227
Over 70 years of age	1,710
	4,802

CANADIAN PACIFIC AIR LINES, LIMITED

During the year a number of steps were taken, designed to integrate your air activities into a co-ordinated system operated by Canadian Pacific Air Lines, Limited, a wholly owned subsidiary of your Company. Agreements were concluded for the purchase and transfer by your Company to that subsidiary of the entire assets of Arrow Airways

Limited, Canadian Airways Limited, Dominion Skyways Limited, Ginger Coote Airways Limited, Mackenzie Air Service Limited, Prairie Airways Limited, Starratt Airways and Transportation Limited, Wings Limited and Yukon Southern Air Transport Limited. Canadian Pacific Air Lines, Limited, has also acquired direct control of your five air observer school subsidiaries, as well as the controlling interest in Quebec Airways Limited with its two air school subsidiaries. At the end of the year your Company had expended \$4,725,917 in the acquisition of its air line undertakings, and had received \$4,000,000 Capital Stock and \$725,917 notes of Canadian Pacific Air Lines, Limited.

Further progress was made in the standardization of equipment and operating methods, and a unified administrative organization was established with offices in Montreal and Edmonton. Additional aircraft units of modern design are being obtained through the Canadian and United States Governments to assist in handling war traffic, which is very heavy as a result of a number of large projects in the territories served by the air lines. It is estimated that over 90% of all business handled is directly connected with the war effort. Ground, radio and hangar facilities are being expanded. At the end of the year employees of Canadian Pacific Air Lines, Limited, and its subsidiaries, including the overhaul plants and training schools operated in connection with the British Commonwealth Air Training Plan, totalled approximately 7,000.

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

The gross earnings of this Company were \$22,630,842, an increase of \$3,352,525, and the net earnings were \$3,984,434, an increase of \$1,670,865. The grain crop in the area tributary to its lines amounted to 57 million bushels, the largest since 1928 and 7 million bushels greater than in 1941. Working expenses included \$545,696 for special amortization of equipment, an increase of \$148,875.

A plan of reorganization of the Soo Line was approved by the Interstate Commerce Commission on June 17, and by the District Court at Minneapolis on November 13. The plan is being submitted by the Interstate Commerce Commission to a vote of the security holders, who have until April 12, 1943, to accept or reject it.

The action in the Circuit Court of Cook County, Illinois, in connection with your Company's guarantee of interest on the First Consolidated Bonds, which has been referred to in previous Annual Reports, remains in abeyance in the meantime.

THE DULUTH, SOUTH SHORE AND ATLANTIC RAILWAY COMPANY

The gross earnings of this Company were \$4,143,876, as compared with \$3,316,914 in 1941, and the net earnings were \$946,969, as compared with \$627,466.

The negotiations with the representatives of holders of the First Mortgage Bonds, which were reopened during the year, did not result in a settlement of the questions underlying the allocation of new securities which are delaying the filing of a plan of reorganization. It has therefore been necessary to proceed with the litigation begun in 1940 and referred to in the Annual Report for that year. An agreed statement of facts and briefs have been filed, and oral arguments have been presented.

RATES AND SERVICES

The Dominion Transport Controller made a number of orders during the year which were designed to curtail non-essential traffic and expedite freight and passenger movements. These orders included provision for the cancellation or modification of a number of special reduced fare arrangements, such as coach excursion fares, special Sunday fares, certain party fares and fares for exhibitions, conventions and sports events; for the prescription of minimum weights for refrigerator carloads; and for the imposition of penalties, in addition to the ordinary demurrage charges, to prevent the undue detention of refrigerator equipment.

During the year the Canadian Passenger Association, of which your Company is a member, established throughout Canada limitations on advance reservation of sleeping and parlor car accommodation to reduce waste of space through unnecessary cancellations.

An increase from 10% to 15% in the Dominion excise taxes on passenger tickets and sleeping and parlor car fares was put into effect on June 29. Increased taxes on passenger fares and a new tax on freight tolls were imposed on all railway lines in the United States in the latter part of the year.

Your Company received from the builders 35 Pacific type locomotives, for main line passenger and fast freight service, 25 air-conditioned first class passenger coaches of light weight steel construction, 150 automobile type box cars, 100 refrigerator cars equipped with overhead brine tanks, 150 70-ton ore cars, and 30 cabooses. Still to be delivered at the end of the year were 7 Pacific type locomotives, 20 heavy freight locomotives of the Mikado type, 5 Diesel switching locomotives of 1,000 horse-power capacity, 500 40-ton box cars of steel frame construction sheathed with plywood, and 250 50-ton steel frame box cars. Reference has already been made to certain modernization and betterment of your Company's passenger and freight equipment carried out during the year.

WARTIME ACTIVITIES

Transportation requirements were even greater than in the previous year. The continued expansion of industrial activity occasioned by the

war and the growth of the armed forces, gave rise to a large increase in traffic. Your Company has provided equipment for the proper care and handling of sick and wounded members of the armed forces. Large numbers of prisoners of war and civilian internees were transported.

Operating problems were accentuated by the high rate of labour turnover, which was more than twice as great as in normal years. The burden of supervision on officers and senior employees was greatly increased as a result of the large number of new and inexperienced employees which it was necessary to hire.

The continued expansion of war production in Canada necessitated the extension of many railway facilities. During the year 51 miles of industrial trackage was completed to serve 105 new plants and undertakings, the major portion of which were Government-financed war projects.

Your Company's ocean steamships and part of its coastal fleet remained throughout the year in the service of the Ministry of War Transport of the United Kingdom.

A feature of wartime activity in Canada during 1942 was the construction of the Alaska Highway in connection with which your Company's railway and air lines were used to a large extent in the movement of men and materials.

Production of Valentine tanks at the Angus Shops in Montreal continued at the scheduled rate during 1942. Representatives of the Russian Government have been loud in their commendation of the quality of these tanks and their effectiveness in the field. The contract for the production of tanks is approaching completion, and under arrangements with the Government the shop facilities released will in part be diverted to the manufacture of marine engines. Replacement parts for Valentine tanks will continue to be produced at the plant.

Full production of naval guns and mountings was attained at the Ogden Shops in Calgary. Special work under other munitions contracts is also being performed in the shops of your Company.

The officers and employees continued to give enthusiastic support to patriotic activities and campaigns during the year. In Montreal alone, more than 2,800 of the staff have enrolled as blood donors. In the three Canadian Victory Loans, your Company and its officers and employees have subscribed a total of \$43,842,500. Of this amount, \$33,639,000 has been taken by your Company and by its Pension Fund and the Pension Fund of the Canadian Pacific Express Company. At the end of the year more than 33,000 officers and employees were purchasers of War Savings Certificates under the payroll deduction plan.

At December 31, the total number of Canadian Pacific employees who were enrolled in the armed services of the United Nations was 14,062.

CAPITAL EXPENDITURES

In anticipation of your confirmation, your Directors authorized capital appropriations for the year 1942 amounting to \$1,562,489 in addition to those approved at the last annual meeting. Included in these appropriations was an amount of \$398,095 for the purchase of five Diesel switching locomotives.

Your approval will also be requested for capital appropriations of \$14,196,440 for the present year. The principal items are as follows:

Replacement and enlargement of structures in permanent form	\$ 39,025
Additions and betterments to stations, freight sheds, coaling and watering facilities and engine houses	1,137,227
Ties, tie plates, rail anchors and miscellaneous roadway betterments	1,688,301
Replacement of rail in main and branch line tracks with heavier section	877,998
Installation of automatic signals	1,236,130
Additional terminal and side track accommodation	537,066
Additions and betterments to shop machinery	522,041
New rolling stock	7,426,100
Additions and betterments to rolling stock	459,083
Additions and betterments to communications facilities	183,599
British Columbia Lake and River Service	33,000

The amount appropriated for automatic signals includes provision for an installation on the main line between Chappleau and Schreiber, Ontario, where an exceptionally heavy volume of traffic is moving under most severe operating conditions. New equipment comprises 20 Pacific type locomotives for passenger and fast freight service, 15 Mikado type locomotives for heavy freight service, 500 gondola cars and 50 cabooses. Should conditions improve so as to make it possible to procure additional materials, your Directors may consider an enlargement of this programme by placing further orders for freight cars.

AGREEMENTS

The following agreements made by your Directors will be submitted for your consideration and approval:

1. A lease of the lines of railway and bridges of The Fort William Terminal Railway and Bridge Company, which the Lessor Company has been by law authorized to construct, whether constructed or to be constructed, including those on and adjacent to Islands Numbers One and Two at the mouth of the Kaministiquia River and spanning that river and McKellar Creek, all in the city of Fort William, for a term of 999 years from July 1, 1943, at an annual rental equal to the interest payable on the bonds which the Lessor Company may at any time or times hereafter issue at the request of your Company, the total of all such bonds unpaid or unredeemed not to exceed at any time the

sum of \$50,000 per mile of the Lessor Company's railway, constructed or under contract to be constructed, and to bear interest at a rate not exceeding 5% per annum payable half-yearly.

2. An agreement with the Glengarry and Stormont Railway Company providing for the amendment of the lease dated June 1, 1915, under which the railway of that company is leased to your Company for the term of 99 years. The amendment provides for a revision of the provisions of the lease in regard to the calculation of gross earnings of the Lessor Company upon which the rental is based and for a release of all claims under the original provisions up to and including December 31, 1940. The Royal Trust Company, Trustee under the mortgage securing the bonds of the Lessor Company, and Sun Life Assurance Company of Canada, owner of all of the said bonds, join in the agreement as consenting parties.

STOCK HOLDINGS

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

	ORDINARY		PREFERENCE		TOTAL
	No. of Holders	Percentage of Stock	No. of Holders	Percentage of Stock	Percentage of Stock
Canada.....	25,908	17.75	161	.64	12.68
United Kingdom and other British.....	18,028	53.64	25,810	96.44	66.32
United States.....	13,673	22.59	77	.35	16.00
Other Countries.....	3,504	6.02	563	2.57	5.00
	<hr/>		<hr/>		
	61,113		26,611		

CHANGES IN DIRECTORATE

It is with deep regret that your Directors report the loss by death on June 10 of Mr. W. N. Tilley, K.C., of Toronto, Consulting Counsel of your Company, a member of the Board since 1922 and of the Executive Committee since 1924. He was recognized both here and in Great Britain as one of the leaders of the Canadian Bar. His brilliant qualities as an advocate were combined with unusually sound business judgment, and during his long association with your Company its problems were his major concern.

The vacancies on the Board caused by the death in 1941 of the Rt. Hon. Arthur B. Purvis, P.C., and of Sir Herbert Holt, and that of Mr. Tilley were filled as follows:

Mr. W. M. Neal, Vice-President of the Company, was appointed a Director and member of the Executive Committee.

Mr. S. G. Blaylock and Hon. Charles A. Dunning, P.C., were appointed Directors.

RETIRING DIRECTORS

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

MR. S. G. BLAYLOCK

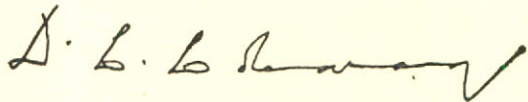
HON. HENRY COCKSHUTT

MAJ.-GEN. FRANK S. MEIGHEN, C.M.G.

MR. ROBERT C. STANLEY

Your Directors desire again to express their pride in and their sense of gratitude for the loyalty and efficiency displayed by your officers and employees. In particular, record should be made of the brave devotion to duty of those who have manned your steamships under conditions which often involved great difficulty and danger. With sincere thanks, they acknowledge the whole-hearted co-operation of the shipping and travelling public in meeting the problems of war transportation, and wish to pay the highest tribute to the vigilance, endurance and valour of the armed forces of the United Nations, through the protection of whom the operations of your Company on land, on sea and in the air have been made possible.

For the Directors,

A handwritten signature in dark ink, appearing to read "D. L. L. Stewart". The signature is written in a cursive style with a large, sweeping flourish at the end.

President.

MONTREAL, March 8, 1943.

GENERAL BALANCE SHEET
AND
SCHEDULES

CANADIAN PACIFIC

GENERAL BALANCE SHEET

ASSETS

PROPERTY INVESTMENT:

Railway, Rolling Stock, Inland Steamships, Hotel, Communication and Miscellaneous Properties.....	\$ 901,532,307	
Improvements on Leased Property.....	98,840,778	
Ocean and Coastal Steamships.....	52,885,105	
Stocks, Bonds and Other Securities of Leased, Con- trolled and Jointly Controlled Railway Companies and Wholly Owned Companies.....	201,482,592	
		<u>\$ 1,254,740,782</u>

OTHER INVESTMENTS:

Miscellaneous Investments—Cost.....	\$ 26,296,858	
Advances to Controlled and Other Companies.....	27,558,577	
Mortgages Collectible and Advances to Settlers.....	3,072,202	
Deferred Payments on Lands and Townsites.....	28,930,934	
Unsold Lands and Other Properties.....	21,874,089	
Maintenance Fund.....	7,250,000	
Insurance Fund.....	9,707,129	
Steamship Replacement Fund.....	36,081,515	
		<u>160,771,304</u>

CURRENT ASSETS:

Material and Supplies.....	\$ 28,017,845	
Agents' and Conductors' Balances.....	13,766,548	
Miscellaneous Accounts Receivable.....	17,841,429	
Cash.....	45,381,814	
		<u>105,007,636</u>

UNADJUSTED DEBITS:

Insurance Prepaid.....	\$ 222,590	
Unamortized Discount on Bonds.....	1,615,344	
Other Unadjusted Debits.....	1,137,445	
		<u>2,975,379</u>
		<u>\$ 1,523,495,101</u>

NOTE—Particulars of securities held for account of the Company, of obligations of the Company in respect of the principal of securities of other companies owning railway lines operated under lease, and of contingent liabilities of the Company are set out in the accompanying schedules.

RAILWAY COMPANY

STATEMENT, DECEMBER 31, 1942

LIABILITIES

CAPITAL STOCK:		
Ordinary Stock.....	\$ 335,000,000	
Preference Stock—4% Non-cumulative.....	137,256,921	\$ 472,256,921
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PERPETUAL 4% CONSOLIDATED DEBENTURE STOCK....	\$ 442,269,429	
LESS: Pledged as collateral to bonds, notes and equipment obligations.....	146,831,200	295,438,229
<hr/>		
FUNDED DEBT.....	\$ 157,956,154	
LESS: Securities and cash deposited with Trustee of 5% Equipment Trust.....	14,937,912	143,018,242
<hr/>		
CURRENT LIABILITIES:		
Pay Rolls.....	\$ 4,788,874	
Audited Vouchers.....	10,433,552	
Net Traffic Balances.....	3,462,586	
Miscellaneous Accounts Payable.....	4,127,214	
Accrued Fixed Charges and Guaranteed Interest.....	1,959,332	
Unmatured Dividend Declared.....	2,521,391	
Other Current Liabilities.....	18,131,343	45,424,292
<hr/>		
DEFERRED LIABILITIES:		
Dominion Government Unemployment Relief.....	\$ 2,447,223	
Miscellaneous.....	3,614,461	6,061,684
<hr/>		
RESERVES AND UNADJUSTED CREDITS:		
Maintenance Reserves.....	\$ 7,250,000	
Depreciation Reserves—Road.....	77,350,679	
—Rolling Stock.....	84,255,149	
—Steamship.....	46,497,359	
—Hotel and Other.....	10,281,881	
Investment Reserves.....	17,498,138	
Insurance Reserve.....	9,707,129	
Contingent Reserves.....	5,105,407	
Unadjusted Credits.....	4,718,141	262,663,883
<hr/>		
PREMIUM ON CAPITAL AND DEBENTURE STOCK.....		34,565,952
LAND SURPLUS.....		62,815,415
PROFIT AND LOSS BALANCE.....		201,250,483
<hr/>		
		\$ 1,523,495,101
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E. A. LESLIE,
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, 1942, and having compared the above 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, 1942, 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.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

Montreal, March 5, 1943.

GROSS EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1942

Freight.....	\$ 195,897,780
Passenger.....	39,337,893
Mail.....	3,830,067
Express.....	4,621,039
Sleeping, Parlor and Dining Car and Miscellaneous.....	13,177,312
Total.....	<u>\$ 256,864,091</u>

WORKING EXPENSES FOR THE YEAR ENDED DECEMBER 31, 1942

Maintenance of Way and Structures.....	\$ 37,917,239
Maintenance of Equipment.....	45,206,614
Traffic.....	4,625,402
Transportation.....	82,880,692
Miscellaneous Operations.....	5,149,530
General.....	7,975,945
Railway Tax Accruals.....	24,920,980
Total.....	<u>\$ 208,676,402</u>

OTHER INCOME FOR THE YEAR ENDED DECEMBER 31, 1942

Dividends.....	\$ 4,620,888
Net income from interest, exchange, separately operated properties and miscellaneous.....	7,485,629
Net earnings from ocean and coastal steamships after provision of \$3,105,034 for depreciation.....	2,888,278
Net earnings from hotel, communication and miscellaneous properties after provision of \$1,738,804 for depreciation.....	866,239
Total.....	<u>\$ 15,861,034</u>

FIXED CHARGES FOR THE YEAR ENDED DECEMBER 31, 1942

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.....	55,219
Glengarry & Stormont Railway.....	41,250
Guelph Junction Railway.....	36,352
Joliette & Brandon Railway.....	5,000
Lacombe & North Western Railway.....	13,685
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.....	1,402
Tobique Railway.....	12,075
Toronto, Hamilton & Buffalo Railway.....	8,717
Winnipeg River Railway.....	1
	\$ 3,526,080

INTEREST ON DEBENTURE STOCK AND FUNDED DEBT:

Perpetual 4% Consolidated Debenture Stock.....	\$ 11,817,529
Equipment Obligations.....	2,103,636
20 Year 4½% Collateral Trust Gold Bonds.....	898,808
25 Year 5% Collateral Trust Gold Bonds.....	1,495,833
30 Year 4½% Collateral Trust Gold Bonds.....	1,125,000
Convertible 10 Year 6% Collateral Trust Bonds.....	139,056
Convertible 15 Year 4% Collateral Trust Bonds.....	480,000
Convertible 15 Year 3½% Collateral Trust Bonds.....	350,000
Convertible 9½ Year 3% Collateral Trust Bonds.....	347,926
Serial 4% Secured Notes.....	251,686
Serial 3% Secured Notes.....	4,100
Serial 3½% Secured Notes.....	134,167

19,147,741

INTEREST ON UNFUNDED DEBT.....

16,739

AMORTIZATION OF DISCOUNT ON FUNDED DEBT.....

264,943

\$ 22,955,503

CHANGES IN PROPERTY INVESTMENT
YEAR ENDED DECEMBER 31, 1942.

RAILWAY, ROLLING STOCK, INLAND STEAMSHIPS, HOTEL, COMMUNICATION AND MISCELLANEOUS PROPERTIES:	
Balance at December 31, 1941.....	\$855,795,669
Additions and Betterments (less retirements):	
Railway.....Cr. \$	1,839,707
Rolling Stock.....	7,435,121
Inland Steamships.....Cr.	160,665
Hotel, Communication and Miscellaneous Prop- erties.....	107,588
	5,542,337
Appropriations from Surplus, credited this account in prior years, transferred to Depreciation Reserve— Road.....	\$74,728,521
Net discount on stock, charged this account in prior years, transferred to Premium on Capital and Debenture Stock.....Cr.	34,534,220
	40,194,301
Total December 31, 1942, as per Balance Sheet.....	\$ 901,532,307
IMPROVEMENTS ON LEASED PROPERTY:	
Balance at December 31, 1941.....	\$ 97,722,158
Additions and Betterments (less retirements):	
Railway..... \$	1,599,605
Rolling Stock.....Cr.	37,498
	1,562,107
Net discount on stock, charged this account in prior years, transferred to Premium on Capital and Debenture Stock.....Cr.	443,487
Total December 31, 1942, as per Balance Sheet.....	98,840,778
OCEAN AND COASTAL STEAMSHIPS:	
Balance at December 31, 1941.....	\$ 79,249,142
Additions and Betterments (less retirements):	
Ocean.....Cr.	\$25,246,326
Coastal.....Cr.	1,117,711
	Cr. 26,364,037
Total December 31, 1942, as per Balance Sheet.....	52,885,105
STOCKS, BONDS AND OTHER SECURITIES OF LEASED, CONTROLLED AND JOINTLY CONTROLLED RAILWAY COMPANIES AND WHOLLY OWNED COMPANIES:	
Balance at December 31, 1941.....	\$194,112,303
ACQUIRED:	
\$3,215,000 1st Mortgage Bonds Northern Alberta Railways Company.....	\$ 3,215,000
800,000 Ordinary Shares Capital Stock Canadian Pacific Air Lines, Limited.....	4,000,000
REDEEMED:	
\$31,760 Secured Notes Minneapolis, St. Paul & Sault Ste. Marie Railway Company.....Cr.	31,760
\$780,000 First Mortgage Bonds Kootenay & Arrowhead Railway Company.....Cr.	780,127
\$295,000 1st Mortgage Income Bonds Seignior Club Community Association, Limited.....Cr.	295,000
	6,108,113
Net premium on stock, credited this account in prior years, transferred to Premium on Capital and Debenture Stock.....	1,262,176
Total December 31, 1942, as per Balance Sheet.....	201,482,592
PROPERTY INVESTMENT December 31, 1942, as per Balance Sheet.....	\$1,254,740,782

STOCKS, BONDS AND OTHER SECURITIES OF LEASED, CONTROLLED AND
JOINTLY CONTROLLED RAILWAY COMPANIES AND WHOLLY
OWNED COMPANIES AT DECEMBER 31, 1942

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
FREDERICTON & GRAND LAKE COAL & RAILWAY	COMPANY		
†	1st Mortgage Bonds.....	4%	465,000
†	Capital Stock.....		140,000
GEORGIAN BAY & SEABOARD	RAILWAY COMPANY		
†	Mortgage Bonds.....	4%	4,840,000
†	Capital Stock.....		250,000
GRAND RIVER	RAILWAY COMPANY		
†	Mortgage Bonds.....	4%	426,000
†	Capital Stock.....		125,000
GREAT NORTH WEST CENTRAL	RAILWAY COMPANY		
†	1st Mortgage Bonds.....	5%	1,375,000
†	Capital Stock.....		500,000
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%	531,000
†	Capital Stock.....		1,000,000
	<i>Carried forward</i>		\$ 77,165,288

LEASED RAILWAY COMPANIES—Continued

		Par Value or Principal Amount
<i>Brought forward</i>		\$ 77,165,288
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
LAKE ERIE & NORTHERN RAILWAY COMPANY		
†	Consolidated Mortgage Bonds.....	4% 2,317,500
†	Capital Stock.....	1,403,725
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
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% 702,000
†	Capital Stock.....	501,000
OTTAWA, NORTHERN & WESTERN RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 3,075,000
†	Capital Stock.....	804,000
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
<i>Carried forward</i>		\$152,811,726

LEASED RAILWAY COMPANIES—Continued		Par Value or Principal Amount
<i>Brought forward</i>		\$152,811,726
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.....	\$132,693,563	Total <u><u>\$160,679,766</u></u>

CONTROLLED RAILWAY COMPANIES*

AROOSTOOK VALLEY RAILROAD COMPANY		
	Capital Stock.....	\$ 240,000
MINNEAPOLIS, ST. PAUL & SAULT STE. MARIE RAILWAY CO.		
	1st Consolidated Mortgage Bonds.....	4% 3,993,000
	Secured Notes.....	6% 4,989,000
	Secured Notes.....	4% 6,689,253
THE DULUTH, SOUTH SHORE & ATLANTIC RAILWAY CO.		
	Marquette, Houghton & Ontonagon Railroad Company Mortgage Bonds.....	6% 1,071,000
†	1st Consolidated Mortgage Bonds.....	4% 15,107,000
MINERAL RANGE RAILROAD COMPANY		
†	General Mortgage Bonds.....	4% 1,000,000
†	Consolidated Mortgage Bonds.....	4% 177,800
†	Consolidated Mortgage Bonds.....	5% 234,500
†	Hancock & Calumet Railroad Company Consolidated Mortgage Bonds.....	5% 180,375
Cost.....	\$29,217,102	Total <u><u>\$ 33,681,928</u></u>

JOINTLY CONTROLLED RAILWAY COMPANIES

NORTHERN ALBERTA RAILWAYS COMPANY		
	1st Mortgage Bonds.....	5% \$ 13,365,000
	Capital Stock.....	312,500
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
Cost.....	\$27,244,526	Total <u><u>\$ 28,202,000</u></u>

†Denotes complete ownership.

*The properties of all these Companies, except the Aroostook Valley Railroad Company, 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.

WHOLLY OWNED COMPANIES		Par Value or Principal Amount
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 RAILWAY AGENCY (BELGIUM) S.A.		
Capital Stock.....	Cost	8,000
CANADIAN PACIFIC RAILWAY (FRANCE) S.A.		
Capital Stock.....	Cost	9,694
CANADIAN PACIFIC RAILWAY (GERMANY) G.m.b.H.		
Capital Stock.....	Cost	136
CANADIAN PACIFIC RAILWAY (ITALY) S.A.I.		
Capital Stock.....	Cost	2,576
CANADIAN PACIFIC STEAMSHIPS, LIMITED		
Capital Stock.....		34,407
CANADIAN PACIFIC TRANSPORT COMPANY, LIMITED		
Capital Stock.....		50,000
CHATEAU FRONTENAC COMPANY		
Common Stock.....		280,000
EASTERN ABATTOIRS, LIMITED		
Capital Stock.....		5,700
MERSEY TOWING COMPANY, LIMITED		
Common Stock.....		165,905
QUEBEC CENTRAL TRANSPORTATION COMPANY		
Capital Stock.....		42,000
ST. JOHN BRIDGE & RAILWAY EXTENSION COMPANY		
1st Mortgage Bonds.....	5%	125,000
Capital Stock.....		200,000
SEIGNIORY CLUB COMMUNITY ASSOCIATION, LIMITED		
1st Mortgage Income Bonds.....	5%	3,305,000
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 LADYSMITH WATER COMPANY, LIMITED		
Capital Stock.....		50,000
THE NEW BRUNSWICK COLD STORAGE COMPANY, LIMITED		
Cumulative Preference Stock.....		25,000
Capital Stock.....		50,000
THE SCOTTISH TRUST COMPANY		
Capital Stock.....		250,000
Cost.....	\$12,327,401	Total
		<u>\$ 12,539,418</u>

SUMMARY		Par Value or Principal Amount
	Cost	
Leased Railway Companies.....	\$132,693,563	\$160,679,766
Controlled Railway Companies.....	29,217,102	33,681,928
Jointly Controlled Railway Companies.....	27,244,526	28,202,000
Wholly Owned Companies.....	12,327,401	12,539,418
	<u>\$201,482,592</u>	<u>\$235,103,112</u>

MISCELLANEOUS INVESTMENTS AT DECEMBER 31, 1942

	Par Value or Principal Amount
Cambridge Collieries Company	
1st Mortgage Bonds.....	\$ 251,440
Canadian Australasian Line, Limited	
Capital Stock.....	2,433,300
Canadian Pacific Car & Passenger Transfer Company, Limited	
Common Stock.....	200,000
Lethbridge Collieries, Limited	
Capital Stock.....	770,000
Lord Nelson Hotel Company, Limited	
Cumulative Preference Stock.....	350,000
Common Stock—No Par Value.....	Cost 4,500
Midland Simcoe Elevator Company, Limited	
Capital Stock.....	392,000
Sault Ste. Marie Bridge Company	
Capital Stock.....	500,000
The Consolidated Mining & Smelting Company of Canada, Limited	
Capital Stock.....	8,412,500
The Pennsylvania-Ontario Transportation Company	
Capital Stock.....	187,500
The Public Markets, Limited	
Capital Stock.....	575,000
The Quebec Salvage & Wrecking Company, Limited	
Capital Stock.....	180,000
Vancouver Hotel Company Limited	
Capital Stock.....	75,000
Other Investments.....	Cost 4,312,961
Cost.....	\$ 26,296,858
	Total
	<u>\$ 18,644,201</u>

CAPITAL AND DEBENTURE STOCKS AT DECEMBER 31, 1942

				Total as per Balance Sheet
ORDINARY STOCK:				
Issued: 13,400,000 shares—\$25 Par Value.....				<u>\$335,000,000</u>
PREFERENCE STOCK—4% NON-CUMULATIVE:				
Issued: £28,203,477—in amounts of £1 and multiples thereof.....				<u>\$137,256,921</u>
PERPETUAL 4% CONSOLIDATED DEBENTURE STOCK:				
	Sterling	United States	Canadian	
		Currency	Currency	
Issued.....	£ 47,350,321	\$167,402,000	\$ 44,429,200	\$442,269,429
Less pledged as collateral.....	—	102,402,000	44,429,200	146,831,200
	<u>£ 47,350,321</u>	<u>\$ 65,000,000</u>	<u>—</u>	<u>\$295,438,229</u>

FUNDED DEBT AT DECEMBER 31, 1942

	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	\$ 18,804,000
Equipment Trust Series "C".....	4½%	Dec. 1, 1930	Serially to Nov. 30, 1945	United States	2,850,000
*Equipment Trust.....	3%	Feb. 1, 1937	Serially to	Canadian	5,092,000
Series "D".....	2½%	Feb. 1, 1937	Jan. 31, 1952	United States	5,092,000
Equipment Trust Series "E".....	3%	June 1, 1938	Serially to May 31, 1953	Canadian	8,712,000
Equipment Agreement Dominion Government.	3%	Dec. 15, 1937	Serially to Jan. 1, 1950	Canadian	3,526,154
**COLLATERAL TRUST BONDS:					
Twenty Year Gold Bonds.....	4½%	Sept. 1, 1926	Sept. 1, 1946	Canadian or United States	19,000,000
Twenty-five Year Gold Bonds.....	5%	Dec. 1, 1929	Dec. 1, 1954	Canadian or United States	28,000,000
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 terminates February 15, 1944)	3½%	Feb. 15, 1936	Feb. 15, 1951	Canadian	10,000,000
Convertible Nine and One-half Year Bonds... (Conversion privilege terminates April 1, 1944)	3%	Apr. 1, 1936	Oct. 1, 1945	Canadian	10,500,000
**NOTES:					
Serial Secured Notes.....	4%	Jan. 28, 1938	Serially to Feb. 1, 1948	United States	4,100,000
Serial Secured Notes.....	3%	Dec. 15, 1942	Serially to Feb. 1, 1948	United States	3,280,000
‡Serial Secured Notes.....	3½%	Dec. 1, 1939	Dec. 1, 1945	Canadian	2,000,000
					<u>\$157,956,154</u>

†Securities and cash deposited with Trustee aggregate \$14,937,912.

*Secured in part by pledge of Perpetual 4% Consolidated Debenture Stock aggregating, in principal amount, \$2,546,000.

**Secured by pledge of Perpetual 4% Consolidated Debenture Stock aggregating, in principal amount, \$142,702,000.

‡Secured in part by pledge of 60,000 shares of the Capital Stock of The Consolidated Mining & Smelting Company of Canada, Limited.

OBLIGATIONS IN RESPECT OF PRINCIPAL OF SECURITIES OF
COMPANIES OWNING RAILWAY LINES OPERATED UNDER LEASE
AT DECEMBER 31, 1942

DESCRIPTION	RATE	PRINCIPAL OUTSTANDING	NATURE OF OBLIGATION
ALGOMA EASTERN RAILWAY COMPANY			
First Mortgage Bonds, maturing March 1, 1961.....	5%	\$ 2,226,600	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).
LACOMBE & NORTH WESTERN RAILWAY COMPANY			
First Mortgage Debenture Bonds, maturing October 22, 1943.....	5%	273,700	Assumption of liability of Province of Alberta under its guarantee of principal.
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 obligations 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 AT DECEMBER 31, 1942
OBLIGATIONS IN RESPECT OF SECURITIES OF CONTROLLED COMPANIES
NOT OPERATED OR WHOLLY OWNED

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 \$246,422 held in Sinking Fund and \$5,844 held in the Treasury.

†Includes \$55,000 held in the Treasury.

‡Includes \$1,295,500 owned by your Company and \$12,500,000 pledged as collateral for notes, all of which, except \$11,000, 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:—

MIDLAND SIMCOE ELEVATOR COMPANY, LIMITED.—Joint and several guarantee with Mr. James Playfair (deceased) of principal and interest of 5% construction loan amounting to \$90,000.

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.

LAND SURPLUS ACCOUNT

Land Surplus December 31, 1941.....		\$ 64,479,043
Land and Townsite Sales.....	\$ 1,319,361	
Miscellaneous Receipts.....	886,425	
		2,205,786
		\$ 66,684,829
 DEDUCT:		
Land and irrigation expenses.....	\$ 809,235	
Taxes.....	710,654	
Inventory value of lands sold.....	1,082,270	
Land contracts cancelled.....	\$ 1,519,485	
Less: Inventory value of lands reacquired.....	590,851	
		928,634
Miscellaneous adjustments.....	338,621	
		3,869,414
Land Surplus December 31, 1942, as per Balance Sheet.....		\$ 62,815,415

MILEAGE AT DECEMBER 31, 1942

CANADIAN PACIFIC RAILWAY—	Miles Operated	
New Brunswick District.....	841.7	
Quebec ".....	1,658.9	
Ontario ".....	1,421.9	
Algoma ".....	1,221.4	
Manitoba ".....	2,516.0	
Saskatchewan ".....	3,624.6	
Alberta ".....	3,101.9	
British Columbia ".....	1,987.4	
Dominion Atlantic Lines.....	304.0	
Quebec Central Lines.....	356.5	
Total.....		17,034.3
CANADIAN PACIFIC ELECTRIC LINES—		
Grand River Railway.....	18.4	
Lake Erie & Northern Railway.....	51.0	
		69.4
		17,103.7
CONTROLLED RAILWAY COMPANIES—		
Aroostook Valley Railroad.....	32.1	
Minneapolis, St. Paul & Sault Ste. Marie Railway.....	3,219.1 ^a	
The Duluth, South Shore & Atlantic Railway.....	535.7	
Mineral Range Railroad.....	26.1	
	561.8 ^a	
		3,813.0
		20,916.7

^aThe 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.....	1,701
First and second class Passenger, Tourist Sleeping, Baggage, Mail and Express Cars*.....	2,216
First class Sleeping, Parlor and Dining Cars.....	586
Freight Cars (all kinds).....	73,551
Conductors' Vans.....	1,123
Boarding, Tool and Auxiliary Cars and other Work Equipment.....	4,962

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

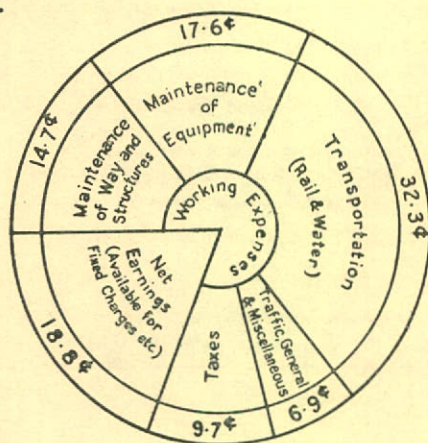
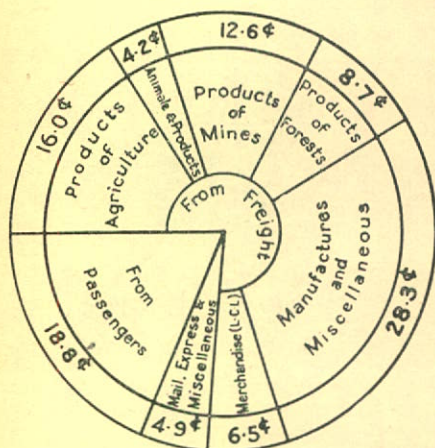
HOTELS

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.

THE CANADIAN PACIFIC RAILWAY DOLLAR

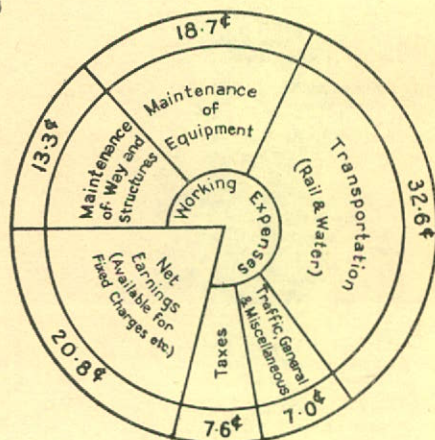
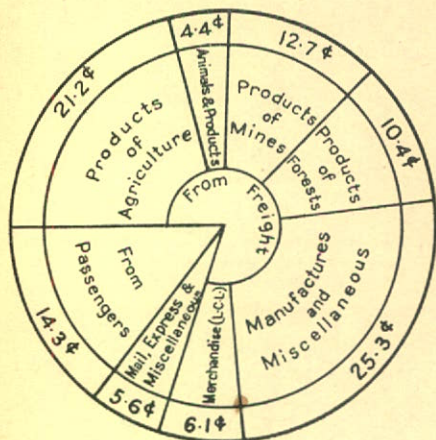
1942



WHERE THE EARNINGS CAME FROM

WHERE THE EARNINGS WENT TO

1941

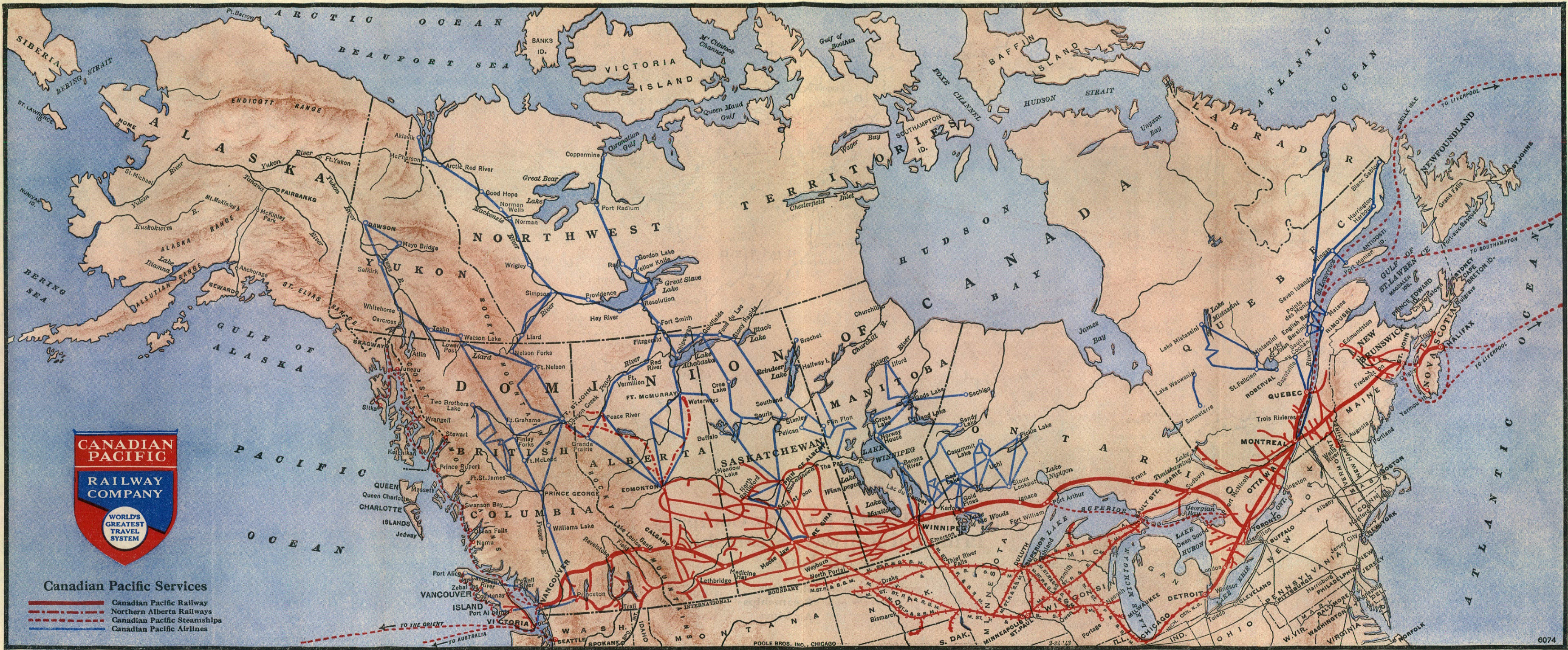


TRANSPORTATION AND TRAFFIC STATISTICS

	Year 1942	Year 1941	Increase or Decrease	
			Amount or Number	Per Cent.
AVERAGE MILES OF ROAD OPERATED.....	17,076.9	17,150.6	73.7	.4
TRAIN MILEAGE				
Freight Service.....	31,279,216	30,792,980	486,236	1.6
Passenger Service.....	19,078,090	17,671,234	1,406,856	8.0
Total Transportation Service.....	50,357,306	48,464,214	1,893,092	3.9
LOCOMOTIVE MILEAGE				
Freight Service.....	35,290,536	34,589,291	701,245	2.0
Passenger Service.....	19,824,730	17,954,443	1,870,287	10.4
Switching Service—Road and Yard.....	12,550,495	11,600,052	950,443	8.2
Total Transportation Service.....	67,665,761	64,143,786	3,521,975	5.5
GROSS TON MILEAGE				
Freight Service—Cars and Contents.....	50,846,473,000	51,394,437,000	547,964,000	1.1
Passenger Service—Cars only.....	11,959,285,000	10,186,553,000	1,772,732,000	17.4
Total Transportation Service.....	62,805,758,000	61,580,990,000	1,224,768,000	2.0
CAR MILEAGE				
FREIGHT				
Loaded.....	770,124,334	762,992,770	7,131,564	.9
Empty.....	362,031,574	418,353,333	56,321,759	13.5
Caboose.....	33,207,241	32,198,929	1,008,312	3.1
Total.....	1,165,363,149	1,213,545,032	48,181,883	4.0
PASSENGER				
Coaches.....	56,253,154	46,269,551	9,983,603	21.6
Sleeping, Parlor and Observation.....	53,420,778	45,866,598	7,554,180	16.5
Dining.....	9,013,355	7,888,184	1,125,171	14.3
Other.....	47,070,741	43,450,670	3,620,071	8.3
Total.....	165,758,028	143,475,003	22,283,025	15.5
Total Transportation Service.....	1,331,121,177	1,357,020,035	25,898,858	1.9
FREIGHT TRAFFIC—RAIL				
Freight revenue.....	\$194,667,014	\$176,206,093	\$18,460,921	10.5
Tons—Revenue freight.....	47,972,082	44,709,716	3,262,366	7.3
Tons—All freight.....	54,376,448	51,105,656	3,270,792	6.4
Ton miles—Revenue freight.....	22,600,287,000	22,375,727,000	224,560,000	1.0
Ton miles—All freight.....	24,593,200,000	24,307,217,000	285,983,000	1.2
AVERAGES PER MILE OF ROAD				
Freight revenue.....	\$11,399	\$10,274	\$1,125	10.9
Train miles.....	1,832	1,795	37	2.1
Total freight train car miles.....	68,242	70,758	2,516	3.6
Ton miles—Revenue freight.....	1,323,442	1,304,661	18,781	1.4
Ton miles—All freight.....	1,440,144	1,417,281	22,863	1.6
AVERAGES PER TRAIN MILE				
Freight revenue.....	\$6.22	\$5.72	\$0.50	8.7
Loaded freight car miles.....	24.6	24.8	.2	.8
Empty freight car miles.....	11.6	13.6	2.0	14.7
Car miles—All classes.....	37.4	39.6	2.2	5.6
Ton miles—Revenue freight.....	722.5	726.7	4.2	.6
Ton miles—All freight.....	786.2	789.4	3.2	.4
Gross ton miles.....	1,625.6	1,669.0	43.4	2.6
AVERAGES PER LOADED CAR MILE				
Freight revenue (cents).....	25.3	23.1	2.2	9.5
Ton miles—All freight.....	31.9	31.9
MISCELLANEOUS AVERAGES				
Revenue per ton of freight.....	\$4.06	\$3.94	\$0.12	3.0
Revenue per ton mile of freight (cents).....	0.86	0.79	.07	8.9
Miles hauled—Revenue freight.....	471.1	500.5	29.4	5.9
Miles hauled—All freight.....	452.3	475.6	23.3	4.9

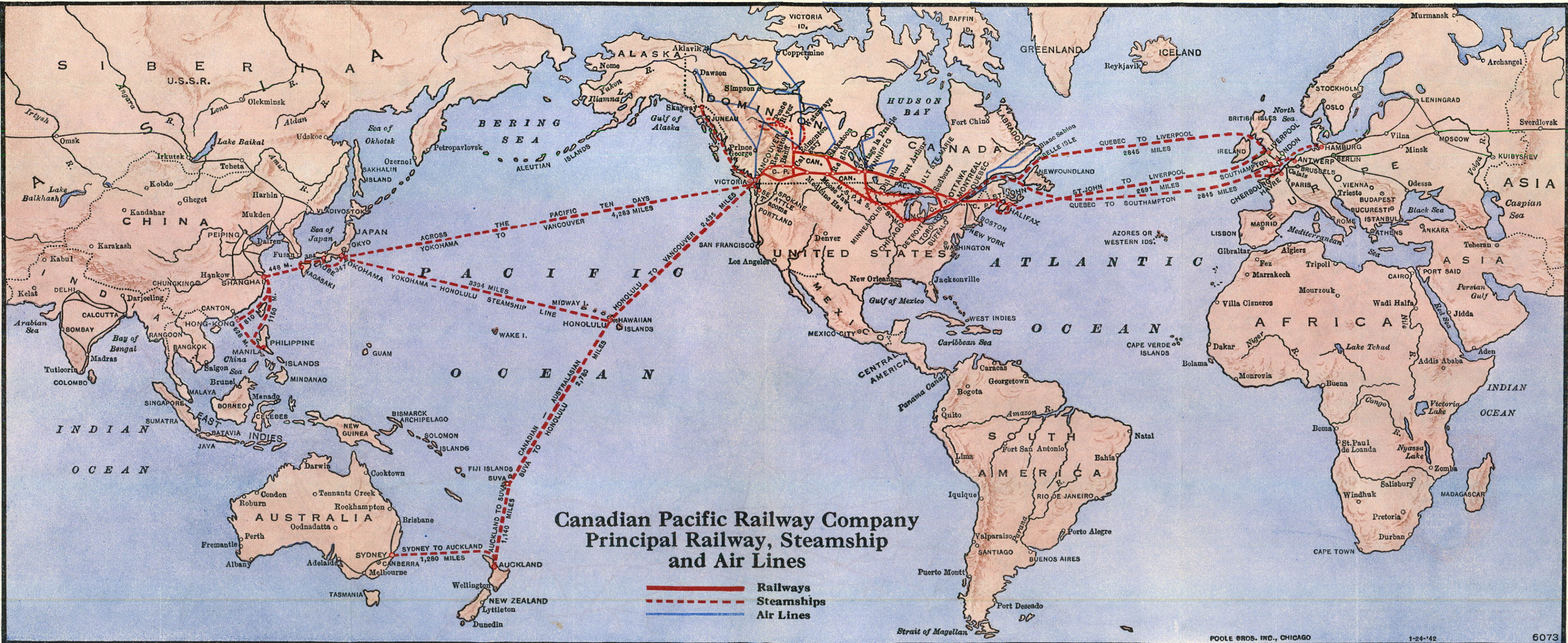
TRANSPORTATION AND TRAFFIC STATISTICS—Continued

	Year 1942	Year 1941	Increase or Decrease	
			Amount or Number	Per Cent.
CLASSIFICATION OF REVENUE TONNAGE CARRIED				
Products of Agriculture.....	10,916,653	12,314,459	1,397,806	11.4
Animals and Products.....	1,012,969	921,149	91,820	10.0
Products of Mines.....	18,816,777	16,042,017	2,774,760	17.3
Products of Forests.....	4,922,036	4,771,865	150,171	3.1
Manufactures and Miscellaneous.....	11,213,906	9,647,608	1,566,298	16.2
Total Carload Traffic.....	46,882,341	43,697,098	3,185,243	7.3
All less carload freight.....	1,089,741	1,012,618	77,123	7.6
Total Carload and L.C.L. Traffic.....	47,972,082	44,709,716	3,262,366	7.3
PASSENGER TRAFFIC—RAIL				
Passenger revenue.....	\$39,159,226	\$25,066,328	\$14,092,898	56.2
Passenger service train revenue.....	\$52,009,117	\$36,216,855	\$15,792,262	43.6
Revenue passengers carried.....	13,456,943	9,144,613	4,312,330	47.2
Revenue passenger miles.....	2,097,032,000	1,313,489,000	783,543,000	59.7
AVERAGES PER MILE OF ROAD				
Passenger revenue.....	\$2.293	\$1.462	\$831	56.8
Passenger service train revenue.....	\$3.046	\$2.112	\$934	44.2
Train miles.....	1,117	1,030	87	8.4
Total passenger train car miles.....	9,707	8,366	1,341	16.0
Revenue passenger miles.....	122,799	76,586	46,213	60.3
AVERAGES PER TRAIN MILE				
Passenger revenue.....	\$2.05	\$1.42	\$0.63	44.4
Passenger service train revenue.....	\$2.73	\$2.05	\$0.68	33.2
Car miles—All classes.....	8.4	7.8	.6	7.7
Revenue passenger miles.....	109.9	74.3	35.6	47.9
Gross ton miles.....	626.9	576.4	50.5	8.8
AVERAGES PER CAR MILE—PASSENGER				
Passenger revenue (cents).....	33.0	25.1	7.9	31.5
Revenue passenger miles.....	17.7	13.1	4.6	35.1
MISCELLANEOUS AVERAGES				
Revenue per passenger.....	\$2.91	\$2.74	\$0.17	6.2
Revenue per passenger mile (cents).....	1.87	1.91	.04	2.1
Miles carried—Revenue passengers.....	155.8	143.6	12.2	8.5
TOTAL TRAFFIC—RAIL				
AVERAGES PER MILE OF ROAD				
Train miles.....	2,949	2,826	123	4.4
Car miles.....	77,949	79,124	1,175	1.5
Operating revenues.....	\$15,070	\$12,888	\$2,182	16.9
Operating expenses.....	\$10,691	\$9,184	\$1,507	16.4
Net operating revenue.....	\$4,379	\$3,704	\$675	18.2
AVERAGES PER TRAIN MILE				
Operating revenues.....	\$5.11	\$4.56	\$0.55	12.1
Operating expenses.....	\$3.63	\$3.25	\$0.38	11.7
Net operating revenue.....	\$1.48	\$1.31	\$0.17	13.0
TOTAL TRAFFIC—RAIL AND INLAND WATER LINES				
Operating revenues.....	\$258,788,455	\$222,502,518	\$36,285,937	16.3
Operating expenses.....	\$183,755,422	\$158,655,359	\$25,100,063	15.8
Net operating revenue.....	\$75,033,033	\$63,847,159	\$11,185,874	17.5
Tax accruals, net of hire of equipment and joint facility rents.....	\$26,845,344	\$17,889,623	\$8,955,721	50.1
Net earnings.....	\$48,187,689	\$45,957,536	\$2,230,153	4.9
Per cent. operating expenses to operating revenues.....	71.01	71.30	.29	.4
Payroll charged operating expenses.....	\$100,538,444	\$87,818,475	\$12,719,969	14.5
Per cent. payroll to operating revenues.....	38.85	39.47	.62	1.6
Per cent. payroll to operating expenses.....	54.71	55.35	.64	1.2



Canadian Pacific Services

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



**Canadian Pacific Railway Company
Principal Railway, Steamship
and Air Lines**

- Railways
- - - Steamships
- ... Air Lines

