

Corp Stock

CANADIAN PACIFIC RAILWAY COMPANY

ANNUAL REPORT

FOR THE
YEAR ENDED DECEMBER 31

1941

MONTREAL, MARCH, 1942

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CANADIAN PACIFIC RAILWAY COMPANY

NOTICE TO SHAREHOLDERS

The Sixty-first 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 sixth 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 fourteenth 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 seventh day of May.

By order of the Board,

F. BRAMLEY,
Secretary.

MONTREAL, March 16, 1942.



BOARD OF DIRECTORS.

| | | |
|------------------------------------|-----------|--------------|
| SIR EDWARD BEATTY, G.B.E. | - - - - - | MONTREAL. |
| L. J. BELNAP | - - - - - | do |
| COL. HENRY COCKSHUTT | - - - - - | BRANTFORD. |
| D. C. COLEMAN | - - - - - | MONTREAL. |
| AIMÉ GEOFFRION, K.C. | - - - - - | do |
| G. BLAIR GORDON | - - - - - | do |
| HON. ERIC W. HAMBER | - - - - - | VICTORIA. |
| 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 |
| SIR EDWARD PEACOCK, G.C.V.O. | - - - - - | LONDON, ENG. |
| ROBERT C. STANLEY | - - - - - | NEW YORK. |
| W. N. TILLEY, K.C. | - - - - - | TORONTO. |
| MORRIS W. WILSON | - - - - - | MONTREAL. |

EXECUTIVE COMMITTEE.

| | |
|---------------------------|------------------|
| SIR EDWARD BEATTY, G.B.E. | L. J. BELNAP |
| D. C. COLEMAN | ROSS H. McMASTER |
| W. N. TILLEY, K.C. | MORRIS W. WILSON |

OFFICERS

| | | | |
|-----------------------------|----------------|---------------------------|-----------|
| CHAIRMAN AND PRESIDENT | -- -- -- -- -- | SIR EDWARD BEATTY, G.B.E. | MONTREAL. |
| VICE-PRESIDENT | -- -- -- -- -- | D. C. COLEMAN | do |
| SECRETARY | -- -- -- -- -- | F. BRAMLEY | do |
| ASSISTANT SECRETARY | -- -- -- -- -- | I. R. COLLINS | do |
| GENERAL COUNSEL | -- -- -- -- -- | E. P. FLINTOFT, K.C. | do |
| GENERAL SOLICITOR | -- -- -- -- -- | G. A. WALKER, K.C. | do |
| ASST. TO THE VICE-PRESIDENT | -- -- -- -- -- | H. C. GROUT | do |

FINANCIAL AND ACCOUNTING DEPARTMENTS

| | | | |
|------------------------------|----------------|------------------|-----------|
| VICE-PRESIDENT AND TREASURER | -- -- -- -- -- | L. B. UNWIN | MONTREAL. |
| ASSISTANT TO VICE-PRESIDENT | -- -- -- -- -- | C. H. DICKINS | do |
| ASSISTANT TO VICE-PRESIDENT | -- -- -- -- -- | J. A. DUNDAS | do |
| ASSISTANT TREASURER | -- -- -- -- -- | A. E. H. CHESLEY | do |
| ASSISTANT TREASURER | -- -- -- -- -- | T. H. MORFIT | 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 | -- -- -- -- -- | E. F. L. STURDEE | do |
| ASST. PASS. TRAFFIC MGR., WESTERN LINES | -- -- -- -- -- | N. R. DESBRISAY | WINNIPEG. |
| OVERSEAS PASSENGER MANAGER | -- -- -- -- -- | IAN WARREN | MONTREAL. |
| ACTING STEAMSHIP PASSENGER 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 AND GENERAL MANAGER | -- -- -- -- -- | H. J. HUMPHREY | TORONTO. |
| ASSISTANT GENERAL MANAGER | -- -- -- -- -- | N. M. McMILLAN | do |
| ASST. TO VICE-PRESIDENT & GENERAL MANAGER | -- -- -- -- -- | S. M. GOSSAGE | do |
| GEN. SUPT. NEW BRUNSWICK DISTRICT | -- -- -- -- -- | T. C. MACNABB | SAINT JOHN. |
| GEN. SUPT. QUEBEC DISTRICT | -- -- -- -- -- | J. K. SAVAGE | MONTREAL. |
| GEN. SUPT. ONTARIO DISTRICT | -- -- -- -- -- | H. A. GREENIAUS | TORONTO. |
| GEN. SUPT. ALGOMA DISTRICT | -- -- -- -- -- | B. J. QUILTY | NORTH BAY. |
| <i>Western Lines:</i> | | | |
| VICE-PRESIDENT | -- -- -- -- -- | W. M. NEAL | WINNIPEG. |
| GENERAL MANAGER | -- -- -- -- -- | W. A. MATHER | do |
| ASST. TO VICE-PRESIDENT | -- -- -- -- -- | C. E. STOCKDILL | do |
| ASST. TO VICE-PRESIDENT | -- -- -- -- -- | GRANT W. G. MCCONACHIE | do |
| ASST. GEN. MANAGER, BRITISH COLUMBIA DIST. | -- -- -- -- -- | C. A. COTTERELL | VANCOUVER. |
| GEN. SUPT. ALBERTA DISTRICT | -- -- -- -- -- | E. D. COTTERELL | 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, DEPARTMENT OF PERSONNEL | -- -- -- -- -- | GEORGE HODGE | do |
| GENERAL SUPT. OF TRANSPORTATION | -- -- -- -- -- | G. T. COLEMAN | 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 | -- -- -- -- -- | S. G. PORTER | 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 W. | -- -- -- -- -- | MONTREAL. |
| The Royal Trust Company, 66 King Street W. | -- -- -- -- -- | TORONTO. |

CANADIAN PACIFIC RAILWAY COMPANY

SIXTY-FIRST ANNUAL REPORT

OF THE

DIRECTORS OF CANADIAN PACIFIC RAILWAY COMPANY

YEAR ENDED DECEMBER 31, 1941

To the Shareholders:

The accounts of the Company for the year ended December 31, 1941, show the following results:—

INCOME ACCOUNT

| | | |
|---|---------------|---------------|
| Gross Earnings..... | | \$221,446,053 |
| Working Expenses (including taxes)..... | | 175,488,517 |
| | | <hr/> |
| Net Earnings..... | | \$ 45,957,536 |
| Other Income..... | | 13,382,059 |
| | | <hr/> |
| | | \$ 59,339,595 |
| Fixed Charges..... | \$ 24,228,698 | |
| Interest on bonds of Minneapolis, St. Paul & Sault Ste. Marie Railway Company, guaranteed as to interest by your Company..... | 749,465 | |
| | | <hr/> |
| | | 24,978,163 |
| Net Income..... | | \$ 34,361,432 |
| Dividends on Preference Stock: | | |
| 2% paid August 1, 1941—£564,070..... | \$ 2,521,391 | |
| 2% payable February 2, 1942—£564,070..... | 2,521,391 | |
| | | <hr/> |
| | | 5,042,782 |
| Balance transferred to Profit and Loss Account..... | | <hr/> <hr/> |
| | | \$ 29,318,650 |

PROFIT AND LOSS ACCOUNT

| | |
|--|---------------|
| Profit and Loss Balance December 31, 1940..... | \$144,045,295 |
| Balance of Income Account for the year ended December 31, 1941..... | 29,318,650 |
| | \$173,363,945 |
| DEDUCT: | |
| Loss on lines abandoned and on property retired and not replaced..... | \$ 649,076 |
| Exchange adjustment in respect of steamship insurance recovered in sterling..... | 1,670,032 |
| Miscellaneous—Net Debit..... | 658,901 |
| | 2,978,009 |
| Profit and Loss Balance December 31, 1941, as per Balance Sheet..... | \$170,385,936 |

Net Income for the year amounted to \$34,361,432, being \$14,216,376 greater than in 1940.

RAILWAY EARNINGS AND EXPENSES

The comparative results of railway operations were as follows:

| | 1941 | 1940 | Increase or <i>Decrease</i> |
|---------------------------------------|---------------|---------------|--------------------------------|
| Gross Earnings..... | \$221,446,053 | \$170,964,897 | \$ 50,481,156 |
| Working Expenses (including taxes)... | 175,488,517 | 135,325,459 | 40,163,058 |
| Net Earnings..... | \$ 45,957,536 | \$ 35,639,438 | \$ 10,318,098 |
| Expense ratios: | | | |
| Including taxes..... | 79.25% | 79.15% | .10 |
| Excluding taxes..... | 71.65% | 74.61% | 2.96 |

GROSS EARNINGS increased by \$50,481,156, or 29.5%. The substantial increases occurring in the earlier months, as a result both of rising wartime activity and the delayed movement of the 1940 wheat crop, continued to the close of the year, even though the final quarter of 1940 had been a period of relatively heavy traffic.

FREIGHT EARNINGS increased by \$41,569,461, or 30.6%. They were exceeded only in 1928, when the greatest grain movement in the history of your Company occurred. The volume of freight traffic was greater than that of any previous year, amounting to 22,376 million ton miles, 21.5% above the 1928 peak of 18,423 million. The average revenue per ton mile dropped to 0.79 cents, the lowest since 1917.

Apart from grain and grain products, freight earnings reached a record level, with a gain over last year of 28.1%. This was almost entirely the result of the conversion of the national economy to a wartime basis. Increases took place in every major commodity group, the most striking being in manufactured goods, lumber and bituminous coal.

Earnings from grain and grain products increased by \$11,147,124, or 40.2%. The volume of grain handled was 215 million bushels, compared with 166 million bushels in 1940. This was considerably more than the average of 155 million bushels for the ten years 1931-40, which included a period of severe drought, but was well below the average of 254 million bushels for the five years 1925-29. The increase for the year resulted from larger export clearances and additional storage capacity at the head of the Great Lakes and other terminal ports, which made possible the movement of large quantities of grain from Prairie points.

The Prairie wheat crop amounted to 279 million bushels, as against 514 million in 1940, a decrease of about 45%. However, as a result of the large carry-over from the previous crop, it is estimated that the stock of wheat available for movement from the Prairie Provinces at the close of the year was only 25% less than in 1940.

PASSENGER EARNINGS increased by \$6,895,040, or 37.5%, and were the highest since 1930. Traffic throughout the Dominion was very heavy, particularly on your Company's transcontinental line. The average passenger journey was the longest yet recorded, rising to 144 miles as compared with 119 miles in 1940. However, the low rates in effect for members of the armed forces, both on duty and on furlough, caused a reduction in the average revenue per passenger mile to 1.91 cents, as against 1.97 cents in 1940, the lowest since 1916.

OTHER EARNINGS increased by \$2,016,655, or 12.0%. The largest increases occurred in sleeping and dining car and news services. Net payments for hire of equipment amounted to \$382,296 as compared with net receipts of \$89,390 in 1940.

WORKING EXPENSES increased by \$40,163,058, or 29.7%. Exclusive of taxes the increase was \$31,095,766, or 61.6% of the increase in gross earnings. The wartime cost-of-living bonus paid to employees under various Dominion Orders-in-Council amounted to approximately \$4,500,000. The first cost-of-living bonus was made effective on June 1 under Order-in-Council P.C. 7440, as amended by P.C. 4643, being at the rate of \$1.93 per week. On September 1 the rate was increased under these orders to \$3.20 per week, and on November 16, under Order-in-Council P.C. 8253, to \$3.65 per week. The last mentioned rate, if maintained, will involve an annual expenditure by your Company of more than \$10,000,000. The ratio of working expenses (excluding taxes) to gross earnings was 71.65%, as compared with 74.61% in 1940, and was the lowest since 1917.

MAINTENANCE OF WAY AND STRUCTURES EXPENSES increased by \$7,835,672. During the year 1,546,175 treated and 1,438,836 untreated ties were placed in track and 249 single track miles of new rail were laid.

Tie plates to the number of 2,137,550 and rail anchors to the number of 790,380 were installed. Testing of rails for invisible defects by Sperry detector car was continued. These cars traversed more than 5,000 miles of track during the year, and all defective rails indicated were removed. The unprecedentedly heavy traffic now being handled and the desirability in the national interest of curtailing the demand for labour and materials in order to avoid interference with the war effort made it advisable to limit the work of maintenance of track and structures to that required for safe operation. Consequently, it was deemed desirable to anticipate maintenance expenditures that will become necessary in the post-war period by including in the expenses for 1941 an amount of \$3,500,000 to create a special renewal reserve equal to the difference between the actual expenditure and that which would have been made under similar traffic conditions in peacetime.

MAINTENANCE OF EQUIPMENT EXPENSES increased by \$7,611,509. Locomotive repairs involved an expenditure of \$10,132,262, and included the shopping of 614 engines for heavy repairs. Nine locomotive boilers and seventeen tenders were replaced and automatic stokers were installed in thirty engines. Expenditures for freight car repairs amounted to \$9,406,014. The programme for the year included heavy repairs to 23,827 cars and application of cast steel truck side frames to 3,525 cars. Passenger train car repairs involved an expenditure of \$5,957,948. General overhauling of 1,387 cars was effected during the year. To meet the demands of traffic ten lounge and five compartment cars were converted into other classes of sleeping and parlor cars and air-conditioned. Steel centre sills and other improvements were installed in six baggage and express cars. At the end of 1941, 92.3% of locomotives and 98.0% of freight cars were in serviceable condition, as compared with 89.5% and 96.0%, respectively, the previous year. Charges for depreciation of rolling stock on the basis of use amounted to \$12,700,602, as compared with \$10,317,760 in 1940.

TRANSPORTATION EXPENSES increased by \$14,152,798. In spite of higher labour, fuel and material costs, the ratio of transportation expenses to gross earnings was the lowest on record, being 32.62% as against 33.97% in 1940. Although the special traffic conditions made unprecedented demands on rolling stock and facilities, a high degree of efficiency was maintained, as indicated by the following comparisons:

| | 1941 | 1940 |
|---|--------|--------|
| Freight train load—gross tons | 1,759 | 1,747 |
| Freight train fuel consumption—pounds per 1,000 gross ton miles | 98 | 97 |
| Freight train speed—miles per hour | 17.2 | 17.5 |
| Freight car movement—miles per car day | 46.20 | 36.13 |
| Freight car load—tons | 31.86 | 30.12 |
| Gross ton miles per freight train hour | 30,312 | 30,653 |
| Revenue passenger miles per train mile | 74.33 | 55.67 |

OTHER WORKING EXPENSES increased by a net amount of \$10,563,079, of which \$9,067,292 was attributable to higher taxes. Railway tax accruals of \$16,833,158, including \$12,400,000 for Dominion income and excess profits taxes, were by far the highest on record, absorbing 7.6% of the gross earnings and being equivalent to almost one-half of the net income for the year. These tax accruals do not include excise and sales taxes or customs duties, which though charged to working expenses are not segregated.

A chart showing the distribution of earnings and expenses for 1941 and 1940 is included at page 35 of this report.

OTHER INCOME

Other income amounted to \$13,382,059, an increase of \$2,689,895, or 25.2%.

Dividend income increased by \$342,672. Dividends paid by The Consolidated Mining and Smelting Company of Canada, Limited, were at the rate of \$2.50 per share, compared with \$2.25 in 1940, which resulted in an increase of \$420,625 in the amount received by your Company.

Net income from interest, exchange, separately operated properties and miscellaneous sources increased by \$2,253,202. Interest received on deferred payments on land contracts was greater, and income from the Steamship Replacement Fund was accrued for a full year for the first time. The net of receipts and payments in currencies other than Canadian during the year resulted in an increase in income from exchange.

Net earnings of ocean and coastal steamships amounted to \$2,788,297, a decrease of \$287,612. Agreement was reached on certain details of hire for requisitioned vessels which were still unsettled at the close of 1940. The present year's accounts include an amount of \$1,319,969, representing additional earnings for the previous year over and above the amount, partly estimated, which was shown in the last Annual Report. The decreased net earnings for the year are accounted for by the fact that fewer ocean vessels were in operation. Coastal steamship operations resulted in an increase in net earnings of \$387,628.

Net earnings of hotel, communication and miscellaneous properties increased by \$381,634. Every hotel reported improved earnings, and the total increase amounted to \$367,228. The increase in communication earnings was \$266,579, accounted for largely by gains in ordinary commercial telegraph transmissions and telegraph tolls on cable messages. There was a decrease of \$252,173 in earnings of miscellaneous properties.

FIXED CHARGES AND GUARANTEED INTEREST

Fixed charges decreased by \$1,152,018. The principal reductions resulted from the retirement without refunding of the Twenty Year 4½%

Sinking Fund Secured Note Certificates and of substantial amounts of the Collateral Trust Bonds and Serial Secured Notes.

The amount charged to income on account of guaranteed interest on Soo Line bonds was reduced from \$805,830 in 1940 to \$749,465, as a result of the discontinuance of the practice of computing interest accruals on the bonds held by your Company. Heretofore this interest has been taken up through Other Income, so that the change in accounting has no effect on Net Income.

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.

After careful consideration it was decided not to declare any dividend for the year 1941 on the Ordinary Capital Stock. In reaching this decision your Directors are of the opinion that greater benefit will inure to the shareholders through the further strengthening of the financial resources of your Company than from a disbursement of current income. The increase in earnings during the last two years has been due almost entirely to wartime activity and cannot be depended upon as a true indication of future results. The shareholders' equity will continue to be enhanced to the extent that capital expenditures and maturing obligations are met without recourse to new financing, and your Company will be in a better position to meet the unpredictable conditions of the post-war period, which may require extensive changes in facilities and services.

PROFIT AND LOSS ACCOUNT

The balance of income account transferred to profit and loss amounted to \$29,318,650, as compared with \$15,102,274 in 1940.

Loss on lines abandoned and on property retired and not replaced amounted to \$649,076. Three sections of branch line in the Province of Quebec were abandoned during the year, viz., Mando to Point Fortune, 6.8 miles, Kingsbury to Windsor Mills, 9.3 miles, and Eastman to Peasley's Siding, 6.8 miles.

The profit and loss balance at the close of the year was higher by \$26,340,641 than at the end of 1940.

LAND ACCOUNTS

During the year 89,449 acres of agricultural lands were sold for \$569,717, an average price of \$6.37 per acre. Included in this total were 200 acres of irrigated land, sold at an average price of \$39.94 per acre.

Cash received on land account totalled \$2,856,347, including \$498,599 for petroleum rights, coal land rents and royalties, and gas royalties.

Disbursements for land and irrigation expenses, including taxes, were \$1,297,419, leaving net cash receipts of \$1,558,928. This was an improvement of \$356,614 over the previous year.

Continuing the policy of rendering assistance to farmers in the Western Provinces who have suffered through adverse conditions, your Company extended to the current crop year the same rebates of interest and other concessions as were granted in 1940. The total amount of assistance to holders of farm contracts since 1932 has been \$18,130,562.

BALANCE SHEET

The General Balance Sheet is presented with its supporting schedules in its customary form. For clarity and brevity all amounts have been shown in even dollars.

The net increase in Property Investment during the year amounted to \$5,515,477.

Owing to increased insurance risk resulting from wartime conditions, it was decided to retain in the Insurance Fund the excess of premiums and investment income over losses sustained during the year. As a result, the Insurance Fund and Insurance Reserve were increased by \$740,835.

The Steamship Replacement Fund was augmented by further amounts recoverable as insurance on vessels lost through enemy action during the year and by interest earned by the fund.

The excess of Current Assets over Current Liabilities was \$57,909,423, or \$7,630,457 greater than at the end of the previous year. The increased amount of income and excess profits taxes unpaid, together with the provision for redemption of outstanding Twenty Year 4½% Secured Note Certificates, which were called on June 15, account for the increase of \$10,190,120 in Other Current Liabilities.

Miscellaneous Accounts Payable include \$980,940 which was paid to the Dominion Government on January 2, 1942. Of this amount \$110,940 was the final instalment on the 2½% loan under the Unemployment Relief and Assistance Act, 1936, and \$100,000 the current instalment and \$770,000 the entire unpaid balance of the 4% loan under the Supplementary Public Works Construction Act, 1935, which was repayable serially to 1950.

FINANCE

Serial 3% Collateral Trust Bonds to the amount of \$1,000,000 were redeemed, and 3% Collateral Trust Bonds due 1945 to the amount of \$2,000,000 and 6% Collateral Trust Bonds due 1942 to the amount of \$223,000 were purchased and cancelled. Consolidated Debenture Stock to the amount of \$3,953,200, pledged as collateral to these bonds, was released and cancelled.

During the year \$331,000 of matured but unredeemed Collateral Trust Bonds were paid. Consolidated Debenture Stock to the amount of \$397,200, 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 \$2,746,292 was deposited with the Trustee of the Equipment Trust maturing July 1, 1944. Under authority of the Trust Agreement the Trustee expended \$691,117 of the amount deposited in the purchase of new rolling stock to be leased to your Company and also purchased and cancelled \$189,000 of the Equipment Trust Certificates.

Serial 4% Secured Notes to the amount of \$638,285 were redeemed on February 1, and on such redemption Consolidated Debenture Stock to the amount of \$1,631,500 was released and cancelled.

The balance of \$18,473,100 Twenty Year 4½% Sinking Fund Secured Note Certificates, maturing December 15, 1944, were called for redemption on June 15. By the end of the year \$17,209,700 of these Note Certificates had been redeemed, and the amount owing with respect to the remaining \$1,263,400 is included in the balance sheet under Other Current Liabilities.

On December 1, \$2,000,000 of the 3% Serial Secured Notes, maturing December 1, 1943, were prepaid. As a result of such prepayment Consolidated Debenture Stock to the amount of \$2,000,000 was released and cancelled, and 68,000 shares of capital stock of The Consolidated Mining and Smelting Company of Canada, Limited, were released.

At the beginning of the year 1941 the sum of \$210,940 was repaid to the Dominion Government in reduction of the liability for loans made on account of unemployment relief.

The financial transactions for the year provided for the retirement without refunding of \$29,486,493 of bonds, notes and other obligations, and in a reduction of \$8,249,900 in the amount of Consolidated Debenture Stock issued as collateral.

PENSIONS

Your Company's outlay under its pension plan and the levies upon it under the United States Railroad Retirement Act aggregating \$3,562,671 were included in working expenses.

The number of employees pensioned during the year was 637. 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 282 than at the end of 1940.

Distribution by ages was as follows:

| | |
|---|-------|
| Under 60 years of age..... | 252 |
| From 60 to 64 years of age inclusive..... | 507 |
| From 65 to 70 years of age inclusive..... | 2,093 |
| Over 70 years of age..... | 1,594 |
| | 4,446 |

AIR LINES

The Air Services Department organized by your Company in 1940 in co-operation with the British Ministry of Aircraft Production ceased operation on July 15. The activities of this department had expanded rapidly in conjunction with the acquisition by the British Government of military aircraft in America and were conducted on a non-profit basis. Atfero, a special branch of the Ministry, took over the operations previously carried on by the civilian organization set up by your Company until the services were finally brought under the direction of the Royal Air Force Ferry Command.

In furtherance of the policy outlined in the proceedings of the last annual meeting with respect to acquisition of a controlling interest in various air lines, your Company acquired the entire capital stock of Arrow Airways Limited and Dominion Skyways Limited, and a majority interest in Canadian Airways Limited, Prairie Airways Limited and Wings Limited.

The operating reorganization of the lines is proceeding, and it is anticipated that as a result of the steps being taken air transportation in Northern and Western Canada will be placed on a more efficient basis. As will be seen from the map accompanying this report, these lines furnish the only practical agency of transportation to and from large portions of the Central and Western Provinces and the Yukon and Northwest Territories. Journeys which now take but a few hours formerly consumed weeks or months by the primitive means of transportation then available. Practically speaking, the existence of the communities which have been established in these areas depends upon the continuation of aeroplane service.

It is planned to extend these services as requirements demand. Such extensions, other than those directly called for in the prosecution of the war, will of course be restricted by the amount of equipment available for commercial transportation purposes, but subject to that limitation every effort will be made to provide modern and economical air service throughout those parts of the Dominion served by your affiliated companies.

The Government has recognized the necessity for the maintenance of these services, and the necessary priorities have been granted for equipment, repair parts and supplies to enable this to be done.

Your investment in these affiliated companies, including advances for the acquisition of equipment, working capital and other requirements, amounts to approximately \$3,400,000. Further steps towards the consolidation of these companies are being taken.

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

The gross earnings of this Company increased by \$2,609,258, and the net earnings were \$2,313,569 as compared with \$2,036,278 in 1940. The grain crop in the area served by the Soo Line amounted to 50 million bushels, compared with 40 million in 1940. This was the largest crop since 1928. Working expenses for 1941 included \$396,821 for special amortization of equipment authorized by a defence certificate.

As forecast in the last Annual Report, the negotiations between your Company, the Trustees of the Soo Line and representatives of holders of Soo Line Bonds resulted in an agreed plan of reorganization. This plan was filed with the Interstate Commerce Commission by the Trustees on March 19. It includes a provision that if a plan should finally be approved and made effective substantially in the form of that filed by the Trustees, your Company would enter into a traffic agreement with the reorganized company providing for the continuation of the traffic relationships and arrangements between the two companies which existed between the Trustees of the Soo Line and your Company on November 1, 1940.

A public hearing was held before one of the Commission's examiners in May and his report recommending a modified plan of reorganization was issued on August 29. Exceptions having been filed by some of the parties in interest, a hearing by the Commission was held on October 28. A draft of the proposed new traffic agreement has been agreed upon and filed with the Commission at its request, but no final report has yet been issued.

In the meantime, no further proceedings are being taken in the action pending in the Circuit Court of Cook County, Illinois, referred to in the Annual Report of 1939.

The only action which is being pressed in connection with guarantee of interest on the First Consolidated Bonds is a suit in the State of Ohio in which an appeal from the judgment in favour of your Company is pending.

THE DULUTH, SOUTH SHORE AND ATLANTIC RAILWAY COMPANY

The gross earnings of this Company increased by \$747,184, and the net earnings were \$627,466 as compared with \$279,722 in 1940.

The litigation to which reference was made in the last Annual Report is still pending and has further delayed the filing of a plan of reorganization. Just prior to the close of the year, representatives of holders of the First Mortgage Bonds made a request for the re-opening of the negotiations broken off in April 1940.

RATES AND SERVICES

No major changes in freight rates occurred during the year. Eight new agreed charges were put into effect, among them one applying on petroleum products shipped from Calgary to points in Alberta and Saskatchewan. This should be of material assistance in the orderly marketing of the product of Turner Valley oil in the Prairie Provinces.

Effective November 5, 1939, all personnel of His Majesty's forces proceeding on leave were granted a fare for round trip travel equivalent to the regular one-way fare. On July 10, 1941, special passenger fares, at the rate of two-thirds of the one-way fare for the round trip, were put into effect for members of the armed forces on annual or embarkation leave. Half of the reduced fare is paid by the Dominion Government and the other half by the passenger.

Maximum freight, passenger and express rates in Canada were fixed by the Wartime Prices and Trade Board at the level in effect during the period September 15 to October 11, 1941. Increases in such rates may only be made with the concurrence of the Board. Temporary or seasonal rates heretofore existing may be applied as in the past.

New rolling stock placed in service during the year included 25 air-conditioned first class coaches of the most modern design, 10 light weight steel baggage and express cars equipped with end doors for handling automobiles and other special shipments, 500 steel box cars of 50 tons capacity, 550 steel coal cars of 50 tons capacity with twin hoppers and 250 of 70 tons capacity with three hoppers. The 35 locomotives, 150 automobile cars and 25 additional first class coaches for which appropriations were approved at the last annual meeting had not been delivered by the close of the year.

The declaration of war upon Japan resulted in the closing of your Company's agencies in Japanese and Japanese-occupied territory.

WARTIME ACTIVITIES

Transportation requirements during the year were unusually severe. In addition to the heavy traffic handled in regular services, there were many calls for emergency movements. These demands were intensified with the opening of hostilities in the Pacific.

Motive power and other rolling stock were utilized to a degree never before reached in the history of your Company. In the case of freight

cars, the improvement was the result to a large extent of whole-hearted co-operation on the part of the shipping public. Moreover, in addition to the substantial increase in the carrying capacity of cars, the improvements in design and construction of the modern equipment provided during recent years have made possible a material reduction in the time spent for repairs.

The increased traffic resulting from war activities necessitated the extension of a number of railway facilities which were adequate for normal business. During the year 36 miles of new yard and siding track were constructed, and 71 miles of new industrial tracks were provided to serve 115 new plants and undertakings throughout the Dominion. Most of this construction pertains to war projects undertaken either by private interests or by the Government and its various agencies.

The programme of munitions production at your Company's shops has proceeded with marked success, and the many difficulties incident to the initiation of the special projects have been effectively overcome. At the close of the year the rate of production of Valentine tanks at the Angus Shops in Montreal had reached the objective of three per day. These tanks compare very favourably in cost with units of similar design produced elsewhere. A considerable number of them have been shipped to Russia, where they have rendered effective service in the field. Certain extensions and additions to the Angus Shops have been constructed for this work.

Preparatory work for the construction of naval guns and mountings at the Ogden Shops in Calgary was completed, and production was under way shortly before the close of the year. The entire locomotive shop at Ogden is being devoted to this purpose, and it has been necessary to make certain additions to facilities elsewhere to take care of heavy locomotive repair work previously done at Ogden.

Through the medium of the air lines which have been acquired by your Company, the Royal Canadian Air Force has been supplied with a large number of skilled pilots and technical help for administrative work in the British Commonwealth Air Training Plan. In addition, one elementary flying training school, six air observer schools and three plants for the overhaul of planes and engines are maintained at various points throughout the Dominion. An additional overhaul plant is now under construction.

Your Company's entire fleet of ocean steamships, together with two units of the British Columbia coastal fleet, are either in the service of the Ministry of War Transport of the United Kingdom or serving as auxiliary craft with the Royal Navy. In compliance with government policy, the usual table of steamships and gross tonnage has been omitted from this report.

The growth of the activities of the Canadian office of the Ministry of War Transport, which was organized under the direction of your Chairman and President, required the services of a full time Representative, and Mr. George D. Huband of the Cunard White Star Line was appointed to this post, effective October 1. For the previous two years Mr. Huband had been associated with the Ministry in the United States and has had wide experience in handling shipping problems. Four of your Company's officers, with some members of their staffs, remain in the service of the Ministry, and the office of the Representative is maintained at Windsor Station in Montreal.

A large number of the officers and employees of your Company continue to be engaged in various capacities with departments and agencies of the Canadian and British Governments in the prosecution of the war effort. In addition, at the close of the year, 3,758 officers and employees had enlisted in the armed forces, and 5,552 members of the steamship organization were in Admiralty or other Government service.

Enthusiastic participation of officers and employees in patriotic activities continued throughout the year. War Savings Certificates are being purchased through monthly deductions from wage and salary cheques, and at the end of the year 31,809 employees were participating in this plan. Your Company's staff has also taken an active part in the Victory Loan campaigns of the Dominion Government and has made substantial purchases of Victory Bonds.

The employees' Golden Aircraft Fund, which had been organized in the previous year, presented \$50,000 to the Royal Canadian Air Force for the purchase of two fighter planes. The presentation took place on November 26 at a ceremony held in the concourse of Windsor Station in Montreal.

During the year your Company and the Pension Trust Fund subscribed \$10,000,000 to the Canadian Victory Loan 1941.

CAPITAL EXPENDITURES

In anticipation of your confirmation, your Directors authorized capital appropriations for the year 1941 amounting to \$5,949,762 in addition to those approved at the last annual meeting. Among these was \$974,000 for the purchase of one hundred refrigerator cars to be delivered in 1942, and a supplementary appropriation of \$820,130 to permit of the purchase of fifteen Pacific type locomotives of a heavier class than contemplated by the original appropriations approved last year. There was also included an amount of \$2,137,577, representing the ledger value of rolling stock units of the Montreal and Atlantic, Esquimalt and Nanaimo and Algoma Eastern Railways, which were transferred to your Company's ownership in accordance with the general policy of consolidating the

investment in rolling stock as far as possible in the parent company; this transaction involved no cash outlay on the part of your Company.

Your approval will also be requested for capital appropriations of \$13,970,890 applicable to the present year. The principal items are:

| | |
|--|------------|
| Replacement and enlargement of structures in permanent form..... | \$ 311,943 |
| Additions and betterments to stations, freight sheds, coaling and watering facilities and engine houses..... | 1,178,630 |
| Ties, tie plates, rail anchors, ballasting and miscellaneous roadway betterments..... | 1,819,769 |
| Replacement of rail in main and branch line tracks with heavier section.... | 772,374 |
| Installation of automatic signals..... | 100,613 |
| Additions and betterments to shop machinery..... | 454,654 |
| Additional terminal and side track accommodation..... | 683,627 |
| New rolling stock..... | 7,766,432 |
| Additions and betterments to rolling stock..... | 423,974 |
| Additions and betterments to hotels..... | 16,586 |
| Additions and betterments to communication facilities..... | 260,951 |

The appropriations for new rolling stock provide for the construction of 7 Pacific type locomotives for passenger and fast freight service, 20 Mikado type locomotives for heavy freight service, 500 40-ton steel box cars, 250 50-ton steel box cars, 150 70-ton ore cars and 30 cabooses.

CO-OPERATION WITH THE CANADIAN NATIONAL RAILWAYS

One additional co-operative project under the provisions of the Canadian National-Canadian Pacific Act was made effective during the year, viz., the abandonment of 5.09 miles of Canadian National line between Red Deer and Red Deer Junction, Alberta. Under this abandonment the Canadian National Railways use certain of the facilities of your Company, with a net economy estimated at \$2,560 per annum to be shared equally by the two railways.

The Board of Transport Commissioners issued orders during the year approving applications involving the abandonment of 38.0 miles of line and disallowing abandonment of 205.1 miles, in addition to rescinding authority issued in 1940 to abandon 37.9 miles. At the end of the year, applications remaining before the Board comprised 229.8 miles of track, including 187.1 miles operated by your Company.

AGREEMENTS

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

1. Agreement dated August 1, 1940, between the Canadian National Railway Company and your Company respecting the joint use for switching purposes of certain lines of railway of both parties on the north bank of the Lachine Canal at or near Montreal during the period from January 1, 1930 to December 31, 1949, inclusive; the switching service to be performed by the Canadian National and your Company to

pay its wheelage proportion of the expense; each Company to pay one-half of the interest charge on Capital Account and its wheelage proportion of the expense of maintenance and operation (other than switching) of that portion of the joint section owned by the other. This agreement cancels and replaces an agreement with The Grand Trunk Railway Company of Canada dated December 1, 1903.

2. Agreement dated August 1, 1940, between the Canadian National Railway Company and your Company respecting the joint use for switching purposes of your Company's branch on the south bank of the Lachine Canal at or near Montreal during the period January 9, 1929 to December 31, 1949, inclusive; the switching service to be performed by your Company; the Canadian National to pay one-half of the interest charge on Capital Account and its wheelage proportion of the expense of maintenance and operation, including switching.

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..... | 26,012 | 17.74 | 154 | .60 | 12.66 |
| United Kingdom and other British..... | 19,316 | 53.15 | 25,798 | 96.37 | 65.96 |
| United States..... | 14,520 | 22.83 | 64 | .33 | 16.16 |
| Other Countries..... | 3,542 | 6.28 | 584 | 2.70 | 5.22 |
| | <hr/> | | <hr/> | | |
| | 63,390 | | 26,600 | | |

CHANGES IN DIRECTORATE

It is with deep regret that your Directors report the loss by death during the year of two members of the Board, both members of the Executive Committee and resident in Montreal, the Rt. Hon. Arthur B. Purvis, P.C., in August and Sir Herbert S. Holt, in September.

Sir Herbert Holt was the senior member of the Board of Directors and Executive Committee of the Company, having served as a Director since 1911 and as a member of the Executive Committee since 1914. His wide experience and keen insight were of inestimable value in the conduct of your Company's affairs. As a financier and industrialist he made a notable contribution to the development of Canada, and his practical support of education and medical and surgical science was a very important factor in preserving the outstanding position of Montreal in these activities.

Mr. Purvis was appointed a Director in 1938 and was chosen as a member of the Executive Committee in the following year. In his association with your Company he gave to its affairs the full benefit of his wise counsel and great executive ability. His tragic and lamentable death occurred during a visit to Great Britain in the performance of his important duties as Chairman of the British Supply Council in North America. The value of his special services on behalf of the cause of the Allies as well as the splendid contribution which he made to the industrial and economic life of Canada and the improvement of its social conditions were universally recognized.

Mr. L. J. Belnap and Mr. Morris W. Wilson were chosen to fill the vacancies on the Executive Committee.

RETIRING DIRECTORS

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

MR. L. J. BELNAP

HON. ERIC W. HAMBER

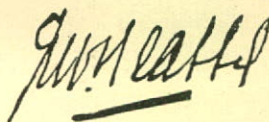
RT. HON. REGINALD MCKENNA, P.C.

MR. ROSS H. MCMASTER

MR. MORRIS W. WILSON

Your Directors desire to record their appreciation of the loyal and efficient service given by the officers and employees throughout the year.

For the Directors,



President.

MONTREAL, March 16, 1942.

CANADIAN PACIFIC

GENERAL BALANCE SHEET

ASSETS

PROPERTY INVESTMENT:

| | | |
|--|----------------|------------------|
| Railway, Rolling Stock, Inland Steamships, Hotel, Communication and Miscellaneous Properties | \$ 855,795,669 | |
| Improvements on Leased Property | 97,722,158 | |
| Ocean and Coastal Steamships | 79,249,142 | |
| Stocks, Bonds and Other Securities of Leased, Con- trolled and Jointly Controlled Railway Companies and Wholly Owned Companies | 194,112,303 | |
| | | \$ 1,226,879,272 |

OTHER INVESTMENTS:

| | | |
|---|---------------|-------------|
| Miscellaneous Investments—Cost | \$ 27,595,427 | |
| Advances to Controlled and Other Companies | 27,093,673 | |
| Mortgages Collectible and Loans & Advances to Set- tlers | 3,370,894 | |
| Deferred Payments on Lands and Townsites | 30,605,011 | |
| Unsold Lands and Other Properties | 22,990,193 | |
| Insurance Fund | 9,006,509 | |
| Steamship Replacement Fund | 21,545,701 | |
| | | 142,207,408 |

CURRENT ASSETS:

| | | |
|---|---------------|------------|
| Material and Supplies | \$ 25,125,019 | |
| Agents' and Conductors' Balances | 12,143,219 | |
| Miscellaneous Accounts Receivable | 12,992,350 | |
| Cash | 48,043,813 | |
| | | 98,304,401 |

UNADJUSTED DEBITS:

| | | |
|---|------------|-----------|
| Insurance Prepaid | \$ 203,866 | |
| Unamortized Discount on Bonds | 1,949,555 | |
| Other Unadjusted Debits | 996,405 | |
| | | 3,149,826 |

\$ 1,470,540,907

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, 1941

LIABILITIES

| | | |
|---|----------------|-------------------------|
| CAPITAL STOCK: | | |
| Ordinary Stock..... | \$ 335,000,000 | |
| Preference Stock—4% Non-cumulative..... | 137,256,921 | \$ 472,256,921 |
| <hr/> | | |
| PERPETUAL 4% CONSOLIDATED DEBENTURE STOCK..... | \$ 471,171,229 | |
| LESS: Pledged as collateral to bonds, notes and equipment obligations..... | 175,733,000 | 295,438,229 |
| <hr/> | | |
| FUNDED DEBT..... | \$ 190,659,625 | |
| LESS: Securities and cash deposited with Trustee of 5% Equipment Trust..... | 13,078,103 | 177,581,522 |
| <hr/> | | |
| CURRENT LIABILITIES: | | |
| Pay Rolls..... | \$ 4,587,409 | |
| Audited Vouchers..... | 9,746,148 | |
| Net Traffic Balances..... | 1,211,681 | |
| Miscellaneous Accounts Payable..... | 4,520,423 | |
| Accrued Fixed Charges and Guaranteed Interest..... | 2,335,406 | |
| Unmatured Dividend Declared..... | 2,521,391 | |
| Other Current Liabilities..... | 15,472,520 | 40,394,978 |
| <hr/> | | |
| DEFERRED LIABILITIES: | | |
| Dominion Government Unemployment Relief..... | \$ 2,447,223 | |
| Miscellaneous..... | 3,463,187 | 5,910,410 |
| <hr/> | | |
| RESERVES AND UNADJUSTED CREDITS: | | |
| Maintenance of Way Renewal Reserve..... | \$ 3,500,000 | |
| Rolling Stock Depreciation Reserve..... | 72,422,242 | |
| Hotel Depreciation Reserve..... | 8,517,877 | |
| Steamship Depreciation Reserve..... | 55,749,033 | |
| Investment Reserves..... | 17,542,428 | |
| Insurance Reserve..... | 9,006,509 | |
| Contingent Reserves..... | 5,184,870 | |
| Unadjusted Credits..... | 3,619,263 | 175,542,222 |
| <hr/> | | |
| PREMIUM ON CAPITAL AND DEBENTURE STOCK..... | | 68,551,646 |
| LAND SURPLUS..... | | 64,479,043 |
| PROFIT AND LOSS BALANCE..... | | 170,385,936 |
| <hr/> | | |
| | | <u>\$ 1,470,540,907</u> |

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, 1941, 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, 1941 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 of the Company.

Montreal, March 9, 1942.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

GROSS EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1941

| | |
|--|-----------------------|
| Freight..... | \$ 177,401,114 |
| Passenger..... | 25,296,788 |
| Mail..... | 3,683,725 |
| Express..... | 4,292,756 |
| Sleeping, Parlor and Dining Car and Miscellaneous..... | 10,771,670 |
| Total..... | <u>\$ 221,446,053</u> |

WORKING EXPENSES FOR THE YEAR ENDED DECEMBER 31, 1941

| | |
|--|-----------------------|
| Maintenance of Way and Structures..... | \$ 29,456,047 |
| Maintenance of Equipment..... | 41,367,913 |
| Traffic..... | 4,798,086 |
| Transportation..... | 72,226,835 |
| Miscellaneous Operations..... | 3,732,990 |
| General..... | 7,073,488 |
| Railway Tax Accruals..... | 16,833,158 |
| Total..... | <u>\$ 175,488,517</u> |

OTHER INCOME FOR THE YEAR ENDED DECEMBER 31, 1941

| | |
|--|----------------------|
| Dividends..... | \$ 4,622,559 |
| Net income from interest, exchange, separately operated properties and miscellaneous..... | 4,961,830 |
| Net earnings from ocean and coastal steamships after provision of \$3,822,368 for depreciation..... | 2,788,297 |
| Net earnings from hotel, communication and miscellaneous properties after provision of \$1,400,624 for depreciation of hotels..... | 1,009,373 |
| Total..... | <u>\$ 13,382,059</u> |

FIXED CHARGES FOR THE YEAR ENDED DECEMBER 31, 1941

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..... | | 52,156 | |
| Glengarry & Stormont Railway..... | | 41,250 | |
| Guelph Junction Railway..... | | 38,480 | |
| 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..... | | 1,418 | |
| Tobique Railway..... | | 9,901 | |
| Toronto, Hamilton & Buffalo Railway..... | | 8,717 | |
| Winnipeg River Railway..... | | 1 | |
| | | | \$ 3,522,987 |

INTEREST ON DEBENTURE STOCK AND FUNDED DEBT:

| | | | |
|---|----|------------|----------------------|
| Perpetual 4% Consolidated Debenture Stock..... | \$ | 11,817,529 | |
| Equipment Obligations..... | | 2,254,991 | |
| 20 Year 4½% Collateral Trust Gold Bonds..... | | 900,000 | |
| 25 Year 5% Collateral Trust Gold Bonds..... | | 1,500,000 | |
| 30 Year 4½% Collateral Trust Gold Bonds..... | | 1,125,000 | |
| Convertible 10 Year 6% Collateral Trust Bonds..... | | 668,499 | |
| Convertible 15 Year 4% Collateral Trust Bonds..... | | 480,000 | |
| Serial 3% Collateral Trust Bonds..... | | 3,750 | |
| Convertible 15 Year 3½% Collateral Trust Bonds..... | | 350,000 | |
| Convertible 9½ Year 3% Collateral Trust Bonds..... | | 435,000 | |
| Serial 4% Secured Notes..... | | 278,281 | |
| Serial 3% Secured Notes..... | | 55,000 | |
| Serial 3½% Secured Notes..... | | 140,000 | |
| 20 Year 4½% Secured Note Certificates..... | | 351,434 | |
| | | | 20,359,484 |
| INTEREST ON UNFUNDED DEBT..... | | | 57,196 |
| AMORTIZATION OF DISCOUNT ON FUNDED DEBT..... | | | 289,031 |
| | | | <u>\$ 24,228,698</u> |

**CHANGES IN PROPERTY INVESTMENT
YEAR ENDED DECEMBER 31, 1941**

| | |
|--|--------------------------------|
| RAILWAY, ROLLING STOCK, INLAND STEAMSHIPS, HOTEL, COMMUNICATION AND MISCELLANEOUS PROPERTIES: | |
| Balance at December 31, 1940..... | \$846,653,117 |
| Additions and Betterments (less retirements): | |
| Railway..... | \$ 40,737 |
| Rolling Stock..... | 7,219,513 |
| Inland Steamships..... | Cr. 90,534 |
| Hotel, Communication and Miscellaneous Prop- erties..... | 1,972,836 |
| | <u>9,142,552</u> |
| Total December 31, 1941, as per Balance Sheet..... | \$ 855,795,669 |
| IMPROVEMENTS ON LEASED PROPERTY: | |
| Balance at December 31, 1940..... | \$ 96,959,009 |
| Additions and Betterments (less retirements): | |
| Railway..... | \$1,818,354 |
| Rolling Stock..... | Cr. 1,055,205 |
| | <u>763,149</u> |
| Total December 31, 1941, as per Balance Sheet..... | 97,722,158 |
| OCEAN AND COASTAL STEAMSHIPS: | |
| Balance at December 31, 1940..... | \$ 81,784,633 |
| Additions and Betterments (less retirements): | |
| Ocean..... | Cr. 2,616,553 |
| Coastal..... | 81,062 |
| | <u>Cr. 2,535,491</u> |
| Total December 31, 1941, as per Balance Sheet..... | 79,249,142 |
| STOCKS, BONDS AND OTHER SECURITIES OF LEASED, CONTROLLED AND JOINTLY CONTROLLED RAILWAY COMPANIES AND WHOLLY OWNED COMPANIES: | |
| Balance at December 31, 1940..... | \$195,967,036 |
| ACQUIRED: | |
| 50 Shares Capital Stock Alberta Railway & Irriga- tion Company..... | \$ 5,000 |
| 50 Shares Capital Stock Lake Erie & Northern Rail- way Company..... | 12 |
| REDEEMED: | |
| \$667,000 Mortgage Bonds Esquimalt & Nanaimo Railway Company..... | Cr. 667,000 |
| \$12,745 Secured Notes Minneapolis, St. Paul & Sault Ste. Marie Railway Company..... | Cr. 12,745 |
| \$740,000 Mortgage Bonds Montreal & Atlantic Rail- way Company..... | Cr. 740,000 |
| \$265,000 1st Mortgage Income Bonds Seignior Club Community Association Limited..... | Cr. 265,000 |
| \$175,000 1st Mortgage Bonds Toronto Terminals Railway Company..... | Cr. 175,000 |
| | <u>Cr. 1,854,733</u> |
| Total December 31, 1941, as per Balance Sheet..... | 194,112,303 |
| PROPERTY INVESTMENT December 31, 1941, as per Balance Sheet..... | <u><u>\$ 1,226,879,272</u></u> |

STOCKS, BONDS AND OTHER SECURITIES OF LEASED, CONTROLLED AND
JOINTLY CONTROLLED RAILWAY COMPANIES AND WHOLLY
OWNED COMPANIES AT DECEMBER 31, 1941

| 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 |
| Carried forward..... | | \$ 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 & ARROWHEAD RAILWAY COMPANY | | |
| † | 1st Mortgage Bonds..... | 5% 780,000 |
| † | Capital Stock..... | 250,000 |
| 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> | | \$ 153,841,726 |

LEASED RAILWAY COMPANIES—Continued

Par Value or
Principal Amount

| <i>Brought forward</i> | | | \$ 153,841,726 |
|---|----------------|-------|----------------|
| 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..... | \$ 132,661,549 | Total | \$ 161,709,766 |

CONTROLLED RAILWAY COMPANIES*

| | | | |
|--|---------------|-------|---------------|
| AROOSTOOK VALLEY RAILROAD COMPANY | | | \$ 240,000 |
| † Capital Stock..... | | | |
| 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% | | 6,721,013 |
| 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..... | \$ 28,798,827 | Total | \$ 33,713,688 |

JOINTLY CONTROLLED RAILWAY COMPANIES

| | | | |
|---|---------------|-------|---------------|
| NORTHERN ALBERTA RAILWAYS COMPANY | | | |
| † 1st Mortgage Bonds..... | 5% | \$ | 10,150,000 |
| † 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..... | \$ 24,029,526 | Total | \$ 24,987,000 |

†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 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% | 3,600,000 |
| 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..... | \$ 8,622,401 | Total <u>\$ 8,834,418</u> |

| SUMMARY | | Par Value or Principal Amount |
|---|-----------------------|----------------------------------|
| Leased Railway Companies..... | \$ 132,661,549 | \$ 161,709,766 |
| Controlled Railway Companies..... | 28,798,827 | 33,713,688 |
| Jointly Controlled Railway Companies..... | 24,029,526 | 24,987,000 |
| Wholly Owned Companies..... | 8,622,401 | 8,834,418 |
| | <u>\$ 194,112,303</u> | <u>\$ 229,244,872</u> |

MISCELLANEOUS INVESTMENTS AT DECEMBER 31, 1941

| | 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 |
| New Jersey Bridge Construction Company | |
| Capital Stock..... | 5,000 |
| 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 5,611,529 |
| Cost..... | \$ 27,595,427 |
| | Total <u>\$ 19,447,769</u> |

CAPITAL AND DEBENTURE STOCKS AT DECEMBER 31, 1941

| | | | | 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 | |
| Issued..... | £ 47,350,321 | \$191,791,400 | \$ 48,941,600 | \$471,171,229 |
| Less pledged as collateral..... | — | 126,791,400 | 48,941,600 | 175,733,000 |
| | <u>£ 47,350,321</u> | <u>\$ 65,000,000</u> | <u>—</u> | <u>\$295,438,229</u> |

FUNDED DEBT AT DECEMBER 31, 1941

| | 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 | \$ 19,700,000 |
| Equipment Trust Series "C"..... | 4½% | Dec. 1, 1930 | Serially to Nov. 30, 1945 | United States | 3,800,000 |
| *Equipment Trust..... | 3% | Feb. 1, 1937 | Serially to | Canadian | 5,628,000 |
| Series "D"..... | 2½% | Feb. 1, 1937 | Jan. 31, 1952 | United States | 5,628,000 |
| Equipment Trust Series "E"..... | 3% | June 1, 1938 | Serially to May 31, 1953 | Canadian | 9,504,000 |
| Equipment Agreement Dominion Government | 3% | Dec. 15, 1937 | Serially to Jan. 1, 1950 | Canadian | 3,966,923 |
| Equipment Agreement Dominion Government | 3½% | June 6, 1940 | Serially to June 6, 1955 | Canadian | 9,288,057 |
| **COLLATERAL TRUST BONDS: | | | | | |
| Twenty Year Gold Bonds..... | 4½% | Sept. 1, 1926 | Sept. 1, 1946 | Canadian or United States | 20,000,000 |
| Twenty-five Year Gold Bonds..... | 5% | Dec. 1, 1929 | Dec. 1, 1954 | Canadian or United States | 30,000,000 |
| Thirty Year Gold Bonds..... | 4½% | July 1, 1930 | July 1, 1960 | Canadian or United States | 25,000,000 |
| Convertible Ten Year Bonds..... | 6% | Mar. 15, 1932 | Mar. 15, 1942 | Canadian | 11,124,500 |
| (Conversion privilege has terminated) | | | | | |
| Convertible Fifteen Year Bonds..... | 4% | July 2, 1934 | July 2, 1949 | Canadian | 12,000,000 |
| (Conversion privilege has terminated) | | | | | |
| Convertible Fifteen Year Bonds..... | 3½% | Feb. 15, 1936 | Feb. 15, 1951 | Canadian | 10,000,000 |
| (Conversion privilege termin- ates February 15, 1944) | | | | | |
| Convertible Nine and One-half Year Bonds... | 3% | Apr. 1, 1936 | Oct. 1, 1945 | Canadian | 13,000,000 |
| (Conversion privilege termin- ates April 1, 1944) | | | | | |
| **NOTES: | | | | | |
| Serial Secured Notes..... | 4% | Jan. 28, 1938 | Serially to Feb. 1, 1948 | United States | 8,020,145 |
| ‡Serial Secured Notes..... | 3½% | Dec. 1, 1939 | Serially to Dec. 1, 1945 | Canadian | 4,000,000 |
| | | | | | <u>\$190,659,625</u> |

†Securities and cash deposited with Trustee aggregate \$13,078,103.

*Secured in part by pledge of Perpetual 4% Consolidated Debenture Stock aggregating, in principal amount, \$2,814,000.

**Secured by pledge of Perpetual 4% Consolidated Debenture Stock aggregating, in principal amount, \$172,919,000.

‡Secured in part by pledge of 112,000 shares of the Capital Stock of The Consolidated Mining & Smelting Company of Canada, Ltd.

OBLIGATIONS IN RESPECT OF PRINCIPAL OF SECURITIES OF
COMPANIES OWNING RAILWAY LINES OPERATED UNDER LEASE
AT DECEMBER 31, 1941

| 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). |
| 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, 1941

OBLIGATIONS IN RESPECT OF SECURITIES OF CONTROLLED COMPANIES
NOT OPERATED OR WHOLLY OWNED

| Description | Rate | Principal Outstanding | Nature of Obligation |
|---|------|-----------------------|------------------------|
| AROSTOOK VALLEY RAILROAD COMPANY | | | |
| First and Refunding Mortgage Bonds, maturing July 1, 1961..... | 4½% | \$ 455,832* | Guarantee of interest. |
| First and Refunding Mortgage Bonds, Series "A", maturing August 1, 1957 | 5½% | 280,500 | Guarantee of interest. |
| *Includes \$231,325 held in Sinking Fund. | | | |
| 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 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.

*Of these \$1,140,500 are owned by your Company and \$12,500,000 are 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 \$250,000.

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 \$7,000,000 First Mortgage 4% Debenture Stock maturing February 16, 1942, and \$2,420,000 First Mortgage 4½% Bonds maturing October 22, 1944, of the Edmonton, Dunvegan and British Columbia Railway Company. These obligations have been assumed by the Northern Alberta Railways Company, which is controlled jointly with the Canadian National Railway Company. The contingent liability of your Company in respect of the principal of these obligations is \$4,710,000. The interest on these obligations has also been assumed by the Northern Alberta Railways Company and forms part of its Fixed Charges. One-half of the income deficit of that company is taken up currently in "Other Income."

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, 1940..... | | \$ 65,913,414 |
| Land and Townsite Sales..... | \$ 1,627,460 | |
| Miscellaneous Receipts..... | 945,856 | |
| | | <u>2,573,316</u> |
| | | \$ 68,486,730 |
| DEDUCT: | | |
| Land and irrigation expenses..... | \$ 703,624 | |
| Taxes..... | 593,795 | |
| Inventory value of lands sold..... | 1,423,284 | |
| Land contracts cancelled..... | \$ 1,457,723 | |
| Less: Inventory value of lands reacquired..... | 488,728 | |
| | | <u>968,995</u> |
| Miscellaneous adjustments..... | 317,989 | |
| | | <u>4,007,687</u> |
| Land Surplus December 31, 1941, as per Balance Sheet..... | | <u><u>\$ 64,479,043</u></u> |

MILEAGE AT DECEMBER 31, 1941

| CANADIAN PACIFIC RAILWAY— | Miles Operated |
|--|----------------|
| New Brunswick District | 841.8 |
| Quebec " | 1,650.6 |
| Ontario " | 1,416.0 |
| Algoma " | 1,221.5 |
| Manitoba " | 2,530.2 |
| Saskatchewan " | 3,627.9 |
| Alberta " | 3,167.7 |
| British Columbia " | 2,022.2 |
| Dominion Atlantic Lines | 304.0 |
| Quebec Central Lines | 356.6 |
| Total | 17,138.5 |
| | |
| CANADIAN PACIFIC ELECTRIC LINES— | |
| Grand River Railway | 18.4 |
| Lake Erie & Northern Railway | 51.0 |
| | 69.4 |
| | 17,207.9 |
| | |
| CONTROLLED RAILWAY COMPANIES— | |
| Aroostook Valley Railroad | 32.1 |
| Minneapolis, St. Paul & Sault Ste. Marie Railway | 3,219.2* |
| The Duluth, South Shore & Atlantic Railway | 535.7 |
| Mineral Range Railroad | 26.2 |
| | 561.9* |
| | 3,813.2 |
| | 21,021.1 |

*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 | 1,668 |
| First and second class Passenger, Tourist Sleeping, Baggage, Mail and Express Cars* | 2,191 |
| First class Sleeping, Parlor and Dining Cars | 600 |
| Freight Cars (all kinds) | 74,049 |
| Conductors Vans | 1,106 |
| Boarding, Tool and Auxiliary Cars and other Work Equipment | 4,741 |

*Includes 22 Cars in Toronto, Hamilton and Buffalo Line Service in which the Company owns 36.04% interest.

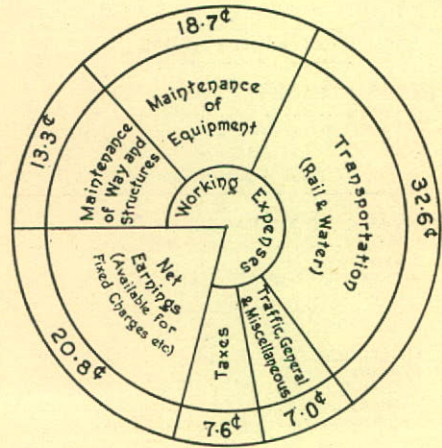
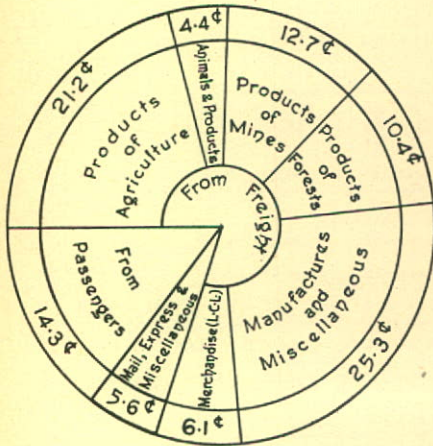
HOTELS

| | | | |
|-------------------------|-------------------|---------------------------|--------------------|
| 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

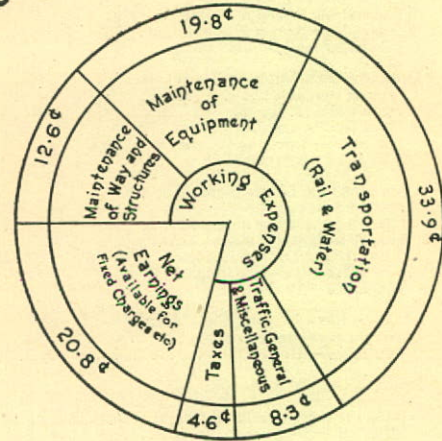
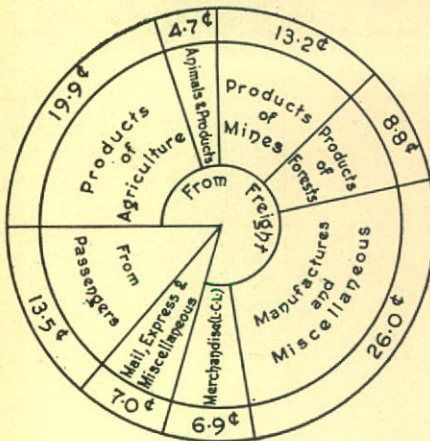
1941



WHERE THE EARNINGS
CAME FROM

WHERE THE EARNINGS
WENT TO

1940

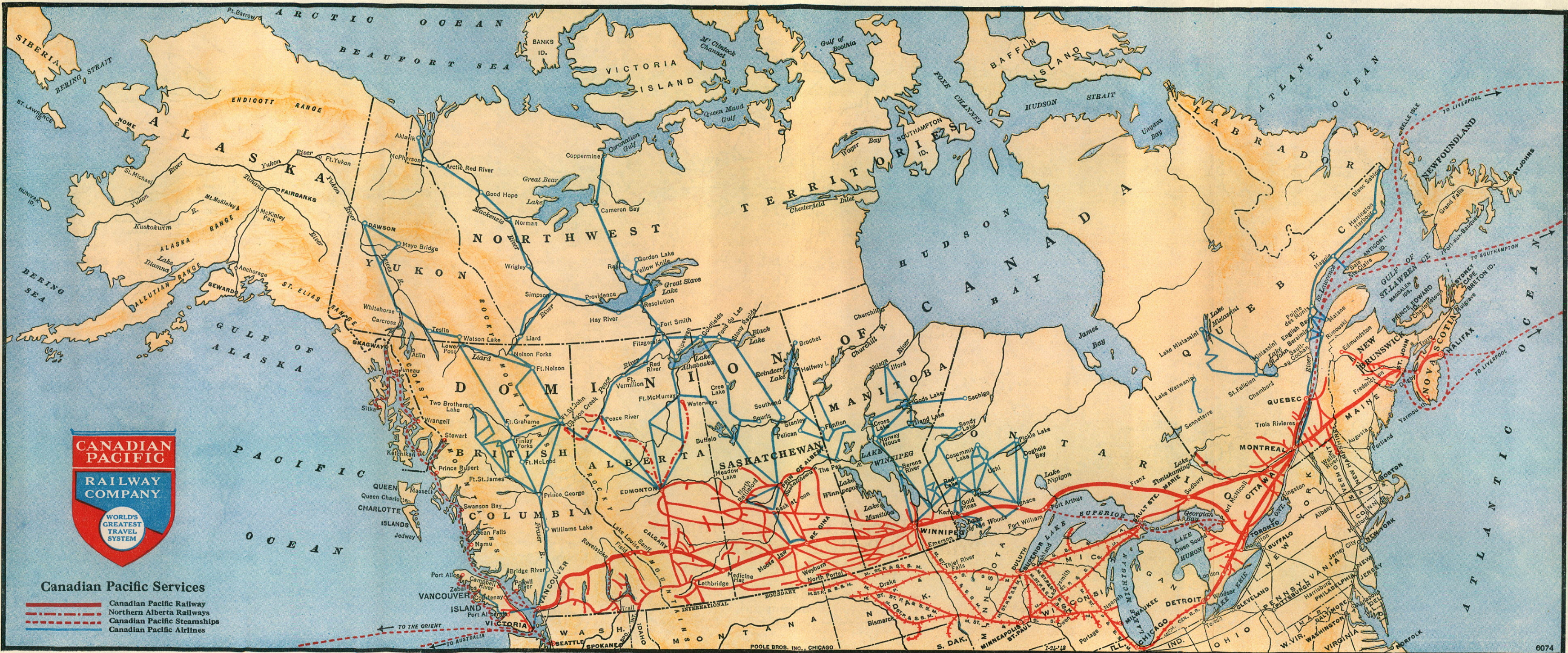


TRANSPORTATION AND TRAFFIC STATISTICS

| | Year 1941 | Year 1940 | Increase or Decrease | |
|--|----------------|----------------|-------------------------|--------------|
| | | | Amount or Number | Per Cent. |
| AVERAGE MILES OF ROAD OPERATED..... | 17,150.6 | 17,158.7 | 8.1 | .05 |
| TRAIN MILEAGE | | | | |
| Freight..... | 30,792,980 | 23,379,054 | 7,413,926 | 31.71 |
| Passenger..... | 17,189,893 | 15,998,882 | 1,191,011 | 7.44 |
| Motor..... | 481,341 | 623,289 | 141,948 | 22.77 |
| Total Transportation Service..... | 48,464,214 | 40,001,225 | 8,462,989 | 21.16 |
| LOCOMOTIVE MILEAGE | | | | |
| Freight..... | 34,589,291 | 26,025,160 | 8,564,131 | 32.91 |
| Passenger..... | 17,954,443 | 16,601,454 | 1,352,989 | 8.15 |
| Switching—Road and Yard..... | 11,600,052 | 9,458,249 | 2,141,803 | 22.64 |
| Total Transportation Service..... | 64,143,786 | 52,084,863 | 12,058,923 | 23.15 |
| CAR MILEAGE | | | | |
| FREIGHT | | | | |
| Loaded..... | 762,992,770 | 586,035,603 | 176,957,167 | 30.20 |
| Empty..... | 418,353,333 | 301,639,135 | 116,714,198 | 38.69 |
| Caboose..... | 32,198,929 | 24,426,472 | 7,772,457 | 31.82 |
| Total..... | 1,213,545,032 | 912,101,210 | 301,443,822 | 33.05 |
| PASSENGER | | | | |
| Coaches..... | 46,269,551 | 39,017,277 | 7,252,274 | 18.59 |
| Sleeping, Parlor and Observation..... | 45,866,598 | 39,970,302 | 5,896,296 | 14.75 |
| Dining..... | 7,888,184 | 6,119,785 | 1,768,399 | 28.90 |
| Other..... | 43,450,670 | 40,675,273 | 2,775,397 | 6.82 |
| Total..... | 143,475,003 | 125,782,637 | 17,692,366 | 14.07 |
| Total Transportation Service..... | 1,357,020,035 | 1,037,883,847 | 319,136,188 | 30.75 |
| FREIGHT TRAFFIC—RAIL | | | | |
| Freight revenue..... | \$176,206,093 | \$134,659,475 | \$41,546,618 | 30.85 |
| Tons—Revenue freight..... | 44,709,716 | 36,745,946 | 7,963,770 | 21.67 |
| Tons—Non-revenue freight..... | 6,395,940 | 5,057,822 | 1,338,118 | 26.46 |
| Tons—All freight..... | 51,105,656 | 41,803,768 | 9,301,888 | 22.25 |
| Ton miles—Revenue freight..... | 22,375,726,787 | 16,027,797,892 | 6,347,928,895 | 39.61 |
| Ton miles—Non-revenue freight..... | 1,931,490,005 | 1,623,907,522 | 307,582,483 | 18.94 |
| Ton miles—All freight..... | 24,307,216,792 | 17,651,705,414 | 6,655,511,378 | 37.70 |
| AVERAGES PER MILE OF ROAD | | | | |
| Freight revenue..... | \$10.274 | \$7.848 | \$2.426 | 30.91 |
| Train miles..... | 1,795 | 1,363 | 432 | 31.69 |
| Total freight train car miles..... | 70,758 | 53,157 | 17,601 | 33.11 |
| Ton miles—Revenue freight..... | 1,304,661 | 934,092 | 370,569 | 39.67 |
| Ton miles—All freight..... | 1,417,281 | 1,028,732 | 388,549 | 37.77 |
| AVERAGES PER TRAIN MILE | | | | |
| Freight revenue..... | \$5.72 | \$5.76 | \$0.04 | .69 |
| Loaded freight car miles..... | 24.78 | 25.07 | .29 | 1.16 |
| Empty freight car miles..... | 13.59 | 12.90 | .69 | 5.35 |
| Total freight train car miles..... | 39.41 | 39.01 | .40 | 1.03 |
| Ton miles—Revenue freight..... | 726.65 | 685.56 | 41.09 | 5.99 |
| Ton miles—All freight..... | 789.38 | 755.02 | 34.36 | 4.55 |
| AVERAGES PER LOADED CAR MILE | | | | |
| Freight revenue (cents)..... | 23.09 | 22.98 | .11 | .48 |
| Ton miles—All freight..... | 31.86 | 30.12 | 1.74 | 5.78 |
| MISCELLANEOUS AVERAGES | | | | |
| Revenue per ton of freight..... | \$3.94 | \$3.66 | \$0.28 | 7.65 |
| Revenue per ton mile of freight (cents)..... | 0.787 | 0.840 | .053 | 6.31 |
| Miles hauled—Revenue freight..... | 500.47 | 436.18 | 64.29 | 14.74 |
| Miles hauled—Non-revenue freight..... | 301.99 | 321.07 | 19.08 | 5.94 |
| Miles hauled—All freight..... | 475.63 | 422.25 | 53.38 | 12.64 |

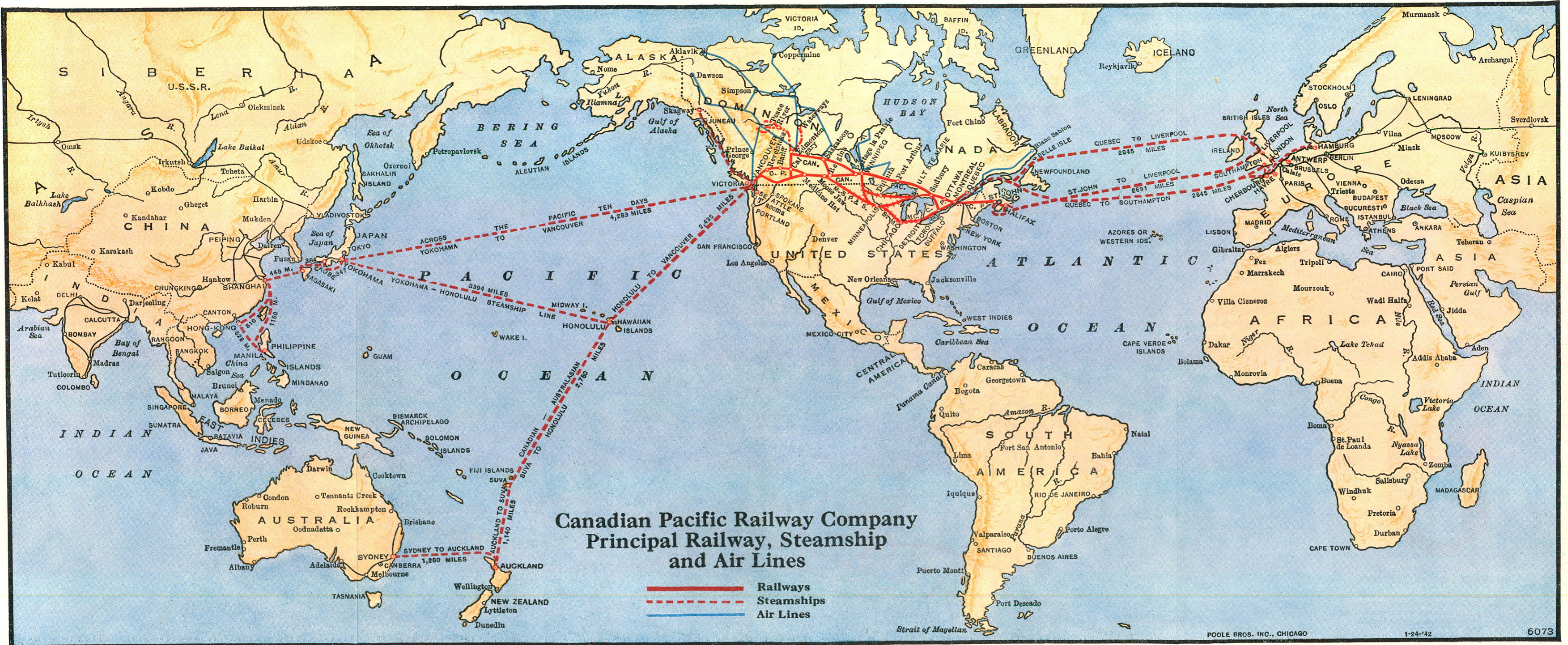
TRANSPORTATION AND TRAFFIC STATISTICS—Continued

| | Year 1941 | Year 1940 | Increase or Decrease | |
|---|---------------|---------------|-------------------------|--------------|
| | | | Amount or Number | Per Cent. |
| CLASSIFICATION OF REVENUE TONNAGE CARRIED | | | | |
| Products of Agriculture..... | 12,314,459 | 9,193,776 | 3,120,683 | 33.94 |
| Animals and Products..... | 921,149 | 757,153 | 163,996 | 21.66 |
| Products of Mines..... | 16,042,017 | 14,238,096 | 1,803,921 | 12.67 |
| Products of Forests..... | 4,771,865 | 3,963,578 | 808,287 | 20.39 |
| Manufactures and Miscellaneous..... | 9,647,608 | 7,754,112 | 1,893,496 | 24.42 |
| Total Carload Traffic..... | 43,697,098 | 35,906,715 | 7,790,383 | 21.70 |
| All less carload freight..... | 1,012,618 | 839,231 | 173,387 | 20.66 |
| Total Carload and L.C.L. Traffic..... | 44,709,716 | 36,745,946 | 7,963,770 | 21.67 |
| PASSENGER TRAFFIC—RAIL | | | | |
| Passenger revenue..... | \$25,066,328 | \$18,202,300 | \$6,864,028 | 37.71 |
| Passenger service train revenue..... | \$36,216,855 | \$28,778,858 | \$7,437,997 | 25.85 |
| Revenue passengers carried..... | 9,144,613 | 7,781,227 | 1,363,386 | 17.52 |
| Revenue passenger miles..... | 1,313,489,479 | 925,331,787 | 388,157,692 | 41.95 |
| AVERAGES PER MILE OF ROAD | | | | |
| Passenger revenue..... | \$1,462 | \$1,061 | \$401 | 37.79 |
| Passenger service train revenue..... | \$2,112 | \$1,677 | \$435 | 25.94 |
| Train miles..... | 1,030 | 969 | 61 | 6.30 |
| Total passenger train car miles..... | 8,366 | 7,331 | 1,035 | 14.12 |
| Revenue passenger miles..... | 76,586 | 53,928 | 22,658 | 42.02 |
| AVERAGES PER TRAIN MILE | | | | |
| Passenger revenue..... | \$1.42 | \$1.10 | \$0.32 | 29.09 |
| Passenger service train revenue..... | \$2.05 | \$1.73 | \$0.32 | 18.50 |
| Total passenger train car miles..... | 8.12 | 7.57 | .55 | 7.27 |
| Revenue passenger miles..... | 74.33 | 55.67 | 18.66 | 33.52 |
| AVERAGES PER CAR MILE—PASSENGER | | | | |
| Passenger revenue (cents)..... | 25.06 | 21.39 | 3.67 | 17.16 |
| Revenue passenger miles..... | 13.13 | 10.87 | 2.26 | 20.79 |
| MISCELLANEOUS AVERAGES | | | | |
| Revenue per passenger..... | \$2.74 | \$2.34 | \$0.40 | 17.09 |
| Revenue per passenger mile (cents)..... | 1.91 | 1.97 | .06 | 3.05 |
| Miles carried—Revenue passengers..... | 143.64 | 118.92 | 24.72 | 20.79 |
| TOTAL TRAFFIC—RAIL | | | | |
| AVERAGES PER MILE OF ROAD | | | | |
| Train miles—Transportation service..... | 2,826 | 2,331 | 495 | 21.24 |
| Car miles—Transportation service..... | 79,124 | 60,487 | 18,637 | 30.81 |
| Operating revenues..... | \$12,888 | \$9,915 | \$2,973 | 29.98 |
| Operating expenses..... | \$9,184 | \$7,375 | \$1,809 | 24.53 |
| Net operating revenue..... | \$3,704 | \$2,540 | \$1,164 | 45.83 |
| AVERAGES PER TRAIN MILE | | | | |
| Operating revenues..... | \$4.56 | \$4.25 | \$0.31 | 7.29 |
| Operating expenses..... | \$3.25 | \$3.16 | \$0.09 | 2.85 |
| Net operating revenue..... | \$1.31 | \$1.09 | \$0.22 | 20.18 |
| TOTAL TRAFFIC—RAIL AND INLAND WATER LINES | | | | |
| Operating revenues..... | \$222,502,518 | \$171,535,476 | \$50,967,042 | 29.71 |
| Operating expenses..... | \$158,655,359 | \$127,559,593 | \$31,095,766 | 24.38 |
| Net operating revenue..... | \$63,847,159 | \$43,975,883 | \$19,871,276 | 45.19 |
| Tax accruals, net of hire of equipment and joint facility rents..... | \$17,889,623 | \$8,336,445 | \$9,553,178 | 114.60 |
| Net earnings..... | \$45,957,536 | \$35,639,438 | \$10,318,098 | 28.95 |
| Per cent. operating expenses to operating revenues.. | 71.30 | 74.36 | 3.06 | 4.12 |
| Payroll charged operating expenses..... | \$87,818,475 | \$75,136,085 | \$12,682,390 | 16.88 |
| Per cent. payroll to operating revenues..... | 39.47 | 43.80 | 4.33 | 9.89 |
| Per cent. payroll to operating expenses..... | 55.35 | 58.90 | 3.55 | 6.03 |



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

Strait of Magellan

