

# CANADIAN PACIFIC RAILWAY COMPANY

## ANNUAL REPORT

FOR THE  
YEAR ENDED DECEMBER 31

1938

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MONTREAL, MARCH, 1939

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# CANADIAN PACIFIC RAILWAY COMPANY

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## NOTICE TO SHAREHOLDERS

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

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

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

By order of the Board,

F. BRAMLEY,  
*Secretary.*

MONTREAL, March 13, 1939.



## BOARD OF DIRECTORS.

SIR EDWARD BEATTY, G.B.E.,	- - - - -	MONTREAL.
COL. HENRY COCKSHUTT,	- - - - -	BRANTFORD.
D. C. COLEMAN,	- - - - -	MONTREAL.
SIR CHARLES GORDON, G.B.E.,	- - - - -	do
JOHN W. HOBBS,	- - - - -	TORONTO.
SIR HERBERT S. HOLT,	- - - - -	MONTREAL.
RT. HON. REGINALD MCKENNA,	- - - - -	LONDON, ENG.
ROBERT S. McLAUGHLIN,	- - - - -	OSHAWA.
ROSS H. McMASTER,	- - - - -	MONTREAL.
BRIG.-GEN. FRANK S. MEIGHEN, C.M.G.,	- - - - -	do
SIR EDWARD R. PEACOCK, G.C.V.O.,	- - - - -	LONDON, ENG.
ARTHUR B. PURVIS,	- - - - -	MONTREAL.
JAMES A. RICHARDSON,	- - - - -	WINNIPEG.
ROBERT C. STANLEY,	- - - - -	NEW YORK.
W. N. TILLEY, K.C.,	- - - - -	TORONTO.
MORRIS W. WILSON,	- - - - -	MONTREAL.
HON. J. MARCELIN WILSON, SENATOR,	- - - - -	do

## EXECUTIVE COMMITTEE.

SIR EDWARD BEATTY, G.B.E.	D. C. COLEMAN
SIR CHARLES GORDON, G.B.E.	SIR HERBERT S. HOLT
ROSS H. McMASTER	W. N. TILLEY, K.C.



## 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
GENERAL EXECUTIVE ASSISTANT	J. O. APFS	do

## FINANCIAL AND ACCOUNTING DEPARTMENTS

VICE-PRESIDENT AND TREASURER	L. B. UNWIN	MONTREAL.
ASSISTANT TO VICE-PRESIDENT	J. A. DUNDAS	do
ASSISTANT TREASURER	F. G. MILLEN	do
ASSISTANT TREASURER	A. E. H. CHESLEY	do
COMPTROLLER	E. A. LESLIE	do
ASSISTANT COMPTROLLER	W. R. PATTERSON	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	H. W. BRODIE	MONTREAL.
STEAMSHIP PASSENGER TRAFFIC MANAGER	WM. BAIRD	do
ASST. STEAMSHIP PASSENGER TRAFFIC MGR.	W. G. ANNABLE	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	W. M. KIRKPATRICK	MONTREAL.

*Eastern Lines:*

## OPERATING DEPARTMENT

VICE-PRESIDENT AND GENERAL MANAGER	H. J. HUMPHREY	TORONTO.
ASST. TO VICE-PRESIDENT & GENERAL MANAGER	H. A. GREENIAUS	do
GEN. SUPT. NEW BRUNSWICK DISTRICT	T. C. MACNABB	SAINT JOHN.
GEN. SUPT. QUEBEC DISTRICT	J. K. SAVAGE	MONTREAL.
GEN. SUPT. ONTARIO DISTRICT	N. M. McMILLAN	TORONTO.
GEN. SUPT. ALGOMA DISTRICT	B. J. QUILTY	NORTH BAY.

*Western Lines:*

VICE-PRESIDENT	W. M. NEAL	WINNIPEG.
GENERAL MANAGER	W. A. MATHER	do
ASST. TO VICE-PRESIDENT	C. E. STOCKDILL	do
ASST. GEN. MANAGER, BRITISH COLUMBIA DIST.	C. A. COTTERELL	VANCOUVER.
GEN. SUPT. ALBERTA DISTRICT	E. D. COTTERELL	CALGARY.
GEN. SUPT. SASKATCHEWAN DISTRICT	H. J. MAIN	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.
EUROPEAN MANAGER	J. C. PATTESON, 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

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## FIFTY-EIGHTH ANNUAL REPORT

OF THE

DIRECTORS OF CANADIAN PACIFIC RAILWAY COMPANY

YEAR ENDED DECEMBER 31, 1938

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*To the Shareholders:*

The accounts of the Company for the year ended December 31, 1938, show the following results:—

### INCOME ACCOUNT

Gross Earnings.....		\$ 142,258,980.76
Working Expenses (including taxes).....		121,506,514.89
Net Earnings.....		\$ 20,752,465.87
Other Income (after providing for depreciation of steamships and hotels).....		7,363,672.66
		<u>\$ 28,116,138.53</u>
Fixed Charges.....	\$ 24,767,938.74	
Interest on bonds of Minneapolis, St. Paul & Sault Ste. Marie Railway Company, guaranteed as to interest by your Company, and on notes secured by pledge of bonds so guaranteed.....	2,085,817.51	
		<u>26,853,756.25</u>
Balance transferred to Profit and Loss Account.....		\$ 1,262,382.28
		<u><u>\$ 1,262,382.28</u></u>

NOTE—Particulars of Gross Earnings, Working Expenses and Other Income, are shown on page 22.

## PROFIT AND LOSS ACCOUNT

Profit and Loss Balance December 31, 1937.....	\$ 139,950,787.83
Dividend of 2 per cent. on the Preference Stock, declared from the earnings of the year 1937, paid April 1, 1938.....	2,745,138.42
	<u>\$ 137,205,649.41</u>
Balance of Income Account for the year ended December 31, 1938...	1,262,382.28
	<u>\$ 138,468,031.69</u>
DEDUCT:	
Loss on lines abandoned and on property retired and not replaced.....	\$ 1,402,348.40
Miscellaneous—Net Debit.....	96,033.03
	<u>1,498,381.43</u>
Profit and Loss Balance December 31, 1938, as per Balance Sheet....	<u>\$ 136,969,650.26</u>

The balance of Income Account available for transfer to Profit and Loss Account was \$8,199,902 less in 1938 than in 1937.

## RAILWAY EARNINGS AND EXPENSES

The comparative results of railway operations were as follows:

	1938	1937	Increase or Decrease
Gross Earnings.....	\$142,258,981	\$145,085,558	\$2,826,577
Working Expenses (including taxes).....	121,506,515	121,343,311	163,204
	<u>\$ 20,752,466</u>	<u>\$ 23,742,247</u>	<u>\$2,989,781</u>
Net Earnings.....			

Working expenses, including taxes, amounted to 85.41% of gross earnings, as compared with 83.64% in 1937. Excluding taxes, the ratio was 82.29%, as against 80.69% in 1937.

The decrease in gross earnings amounted to 1.9%. Commencing with the month of February, decreases were recorded each month until August, when grain from the new crop began to move in volume.

Passenger earnings had the first serious set back since the low point recorded in 1933, being \$511,638, or 3.1%, less than in 1937. Owing to mild weather conditions highways remained open generally until late in December, whereas, in 1937, they were closed in many parts by November. The reduced volume of seasonal employment in Eastern Canada and the decline in tourist business incident to the recession also contributed to the unsatisfactory result.



Freight earnings decreased \$717,089, or 0.6%. During the first part of the year, traffic was seriously affected by the crop failure of 1937. While the early indications of large crops on the Prairies in 1938 were not finally realized, the wheat yield was the highest since 1932. Owing to the fact that the Dominion Government guaranteed a price of 80 cents a bushel for No. 1 Northern wheat f.o.b. Fort William, wheat was marketed freely and approximately seventy per cent. of the total grain crop is estimated to have been loaded and moved prior to the end of the year. Handlings of all grain for the year amounted to 165 million bushels, as compared with 94 million in 1937. This may still be regarded as below normal, being 35.0% below the annual average of 254 million bushels handled during the five years 1925-1929 and only 11.5% above the average of 148 million bushels during the drought period 1930-1937. The improvement in grain traffic resulted in an increase of \$9,302,490 in rail earnings from grain and grain products. Notwithstanding the larger crop, the purchasing power of Western Canada did not materially change owing to the drastic decline in prices of grain as compared with 1937, and, therefore, the increased return traffic which usually results from a large crop did not materialize. The movement of all other classes of freight with the exception of ores and concentrates and petroleum and its products was adversely affected by the general recession in industrial activity and the contraction in international trade.

Earnings from other sources decreased \$1,597,850, or 9.2%. The largest item was a decrease of \$776,409 in Hire of Equipment. This was mainly caused by unfavourable traffic conditions in the United States, which prompted quicker return of this Company's cars received in interchange, and by the smaller volume of Canadian products, notably newsprint, pulp and paper, moving across the border.

Working expenses increased \$163,204, or 0.1%. The progressive restoration of basic rates of pay was completed April 1, and involved an increase of \$4,526,000 in expenses. Increases also resulted from higher prices for coal and certain other classes of material and heavier tax disbursements. These increases were almost offset by the reductions brought about by reason of the smaller volume of traffic, temporary layoffs of station, shop and clerical staff, and other economies. During the year the senior officers of the Company were subject to 5% deduction from basic rates, the Directors and members of the Executive Committee 10%, and the Chairman and President 25%.

Maintenance expenses decreased \$1,625,743, or 3.3%, and represented 33.8% of gross earnings, as compared with 34.2% for the

previous year and an average of 32.2% for the ten-year period 1928-1937. Expenditures incidental to air-conditioning were less this year, 90 passenger cars being so equipped, as compared with 141 cars in 1937. Charges for retirement of rolling stock amounted to \$6,016,000, an increase of \$529,000 over 1937. In the early part of the year, a programme of repairs for locomotives and freight cars based on anticipation of a larger crop than actually materialized was carried out and, at the end of 1938, 85.8% of the Company's locomotives and 94.9% of its freight cars were in serviceable condition, as compared with 84.1% and 93.2%, respectively, at the end of 1937.

Transportation expenses increased \$1,267,023, or 2.4%, and represented 37.8% of the gross earnings, as compared with 36.2% for the year 1937. The increase in wage rates more than accounted for the increase in the ratio. The average freight train loading and average freight train speed showed improvement. The former increased from 1,544 tons in 1937 to 1,604 tons in 1938 and the latter increased from 16.7 miles per hour to 17.1 miles per hour. The average fuel consumption for freight trains was reduced from 106 pounds per 1,000 gross ton miles in 1937 to 102 pounds in 1938.

Other working expenses increased \$521,924, or 2.7%, reflecting heavier pension disbursements, higher wage rates, and increased taxes, the increase in the last mentioned amounting to \$167,000, or \$4,000 more than the increase in total working expenses.

#### OTHER INCOME

There was a substantial reduction in other income, which, after provision for hotel and steamship depreciation, amounted to \$7,363,673, a decrease of \$4,266,038.

Dividend income amounted to \$4,867,206, a decrease of \$1,667,650, due principally to the fact that dividends received from The Consolidated Mining and Smelting Company of Canada, Limited, were reduced from \$5,888,750 in 1937 to \$4,206,250. Lower base metal prices had an adverse influence on that Company's earnings, and dividend disbursements totalled \$2.50 per share as compared with \$3.50 in 1937.

Net income from interest, exchange, separately operated properties and miscellaneous was \$1,492,530, a decrease of \$176,806 from 1937.

Net earnings from ocean and coastal steamships, after deducting \$3,781,990 credited to depreciation reserve, amounted to \$591,071, a decline of \$1,867,760, of which all but \$166,816 occurred in ocean services. Earnings from both passenger and freight traffic on the Pacific showed a small increase, notwithstanding the continued dislocation in economic conditions incidental to the hostilities in the



Orient. On the Atlantic there was a slight improvement in freight earnings, which was more than offset by a sharp decrease in passenger earnings, attributable partly to adverse economic conditions on this continent and partly to the absence of the Coronation traffic enjoyed in 1937. Cruise earnings were much lower than for the previous year, being affected by the unfavourable business outlook at the commencement of the year, both here and in the United States, coupled with a tendency on the part of prospective cruising passengers to postpone travelling until the international situation appeared more settled. Expenditures have continued to rise, with large increases in fuel prices, wages, and port charges. During the year your vessels completed 202 voyages, in the course of which they steamed 1,431,893 miles and made 1,343 calls at 101 different ports, without any casualty of a major nature.

Net earnings from hotel, communication and miscellaneous properties, after deducting \$1,246,687 credited to hotel depreciation reserve, totalled \$412,865, a decrease of \$553,822, made up of decreases from hotels of \$271,926 and from communications of \$390,385, as against an increase from miscellaneous properties of \$108,489.

#### FIXED CHARGES AND GUARANTEED INTEREST

Fixed charges increased \$726,405. The two principal contributory items were (1) \$206,924 interest on the 3% Equipment Trust Series "E" issued to finance part of the purchase price of new rolling stock and (2) \$368,172 interest on the Serial 4% Secured Notes issued to finance in part the acquisition by your Company of certain notes of the Soo Line as referred to in the last annual report.

Provision was made from income for the liability for bond interest of the Soo Line guaranteed by your Company. The guaranteed half-yearly interest payment due July 1 on First Consolidated Mortgage Bonds which matured on that date amounted to \$1,260,800. The two half-yearly interest payments due July 1, 1938, and January 1, 1939, on Second Mortgage Bonds maturing January 1, 1949, and on First Refunding Mortgage Bonds Series "B" maturing July 1, 1978, aggregated \$805,830.

#### DIVIDENDS

While earnings for the year were sufficient to meet all expenses and fixed charges, including provisions for depreciation and taxes—with a modest surplus—the Directors of the Company decided that, in view of the serious decline in the net results as compared with 1937, it was inadvisable to declare any dividend on the Preference Stock in respect of the year 1938.



## PROFIT AND LOSS ACCOUNT

Property investment account was credited during the year with the cost of all property retired and not replaced and, in connection with such retirements, charges aggregating \$1,402,348 were made against Profit and Loss. For the most part, these charges were the result of the abandonment of unremunerative lines and redundant facilities, the retirement of which will produce operating economies.

Pier D, the Vancouver Terminal of our British Columbia Coast steamers, was totally destroyed by fire on July 27. As, with minor alterations and extensions, the near-by Pier BC, used by your Pacific steamships, can for the present satisfactorily handle the traffic offering for the coastal service, it is not proposed to replace Pier D immediately. Accordingly, the cost of Pier D has been written out of property investment account and the sum of \$279,918, being the cost less insurance recovered, has been included in the charge to Profit and Loss recorded above.

## LAND ACCOUNTS

Sales of agricultural lands during the year totalled 116,085 acres for an aggregate amount of \$996,214 and at an average price of \$8.58 per acre. Total sales included 3,109 acres of irrigated land at an average of \$48.34 and the remainder at an average of \$7.49 per acre.

Owing chiefly to the improvement in crop conditions on the Prairies, there was an increase in the collections of interest on deferred payments, which offset the decrease in the collections from land sales, so that the cash receipts from lands, including interest on deferred payments, again exceeded land expenditures, including taxes, irrigation, immigration and colonization, and interest on note certificates.

Despite improved farming conditions, the Company found it necessary to continue its policy of making concessions to farm contract holders in Western Canada. Interest rebated during the year totalled \$395,942, while reductions on account of principal outstanding and further concessions in interest for cash payments amounting to \$1,150,825 were also made. Since 1932, when the Company led the way in relieving the distress of the Western farmers, the total amount of assistance extended by way of interest rebates and capital adjustments has been \$13,023,849.

The Company continued to co-operate with the Dominion and Provincial Governments in the relief of the drought areas in the Prairie Provinces by way of reduced rates and free transportation on certain classes of shipments. Based on the normal rates, the

Company's contribution in this respect during the year was slightly in excess of \$700,000.

#### BALANCE SHEET

The General Balance Sheet is presented in its usual form, providing a concise and self-explanatory record of the Company's position. The principal differences as compared with last year are due to the purchase of new equipment and the acquisition of the Secured Soo Line Notes. These items largely account for the increase in Property Investment, the increase in Notes and Equipment Obligations and the reduction in current cash funds.

Two minor changes designed to clarify the Company's position in respect of subsidiaries have been made. All the investment reserves have been consolidated under one caption, Investment Reserves, thus including in one total the investment reserve of \$23,508,829 for all your controlled United States railway subsidiaries, an amount of \$564,403, representing interest received on Soo Line bonds heretofore carried as an Unadjusted Credit, and an aggregate amount of \$2,711,201, representing the reserves for investment in other subsidiaries heretofore carried under Contingent Reserves. A deferred liability to one of your leased subsidiaries, the Algoma Eastern Railway Company, amounting to \$933,021, which arises largely out of the abandonment of part of its line paralleling your Company's Algoma Branch and which was heretofore carried as a deduction from Advances to Controlled and Other Companies, has been transferred to Deferred Liabilities—Miscellaneous.

#### FINANCE

On June 1, your Company entered into an Equipment Trust Agreement with The Royal Trust Company as Trustee, under which \$11,880,000 Equipment Trust Certificates were issued, guaranteed as to principal and interest by your Company. This issue, designated as Series "E," maturing in equal annual instalments from May 31, 1939, to May 31, 1953, inclusive, is payable in lawful money of Canada and bears interest at 3% per annum. Under this agreement new equipment costing \$14,857,398 was purchased by the Trustee and leased to your Company. The difference between the proceeds of the sale of the Equipment Trust Certificates and the cost of the new equipment was provided from the current funds of your Company.

Equipment obligations to the amount of \$2,962,769 matured and were paid, and Consolidated Debenture Stock to the amount of \$268,000 pledged under Series "D" was released and cancelled. An



amount of \$2,399,150 was deposited with the Trustee of the Equipment Trust, maturing July 1, 1944. Under the terms of the Agreement covering that Trust, the Trustee purchased and cancelled \$2,849,000 of the Equipment Trust Certificates and expended \$2,694,290 in the purchase of new equipment under the terms of the agreement.

Serial 3% Collateral Trust Bonds to the amount of \$1,000,000 were redeemed, and on such redemption Consolidated Debenture Stock to the amount of \$1,250,000 was released and cancelled.

Twenty-year 4½% Sinking Fund Secured Note Certificates to the amount of \$322,800 were purchased by the Trustee and cancelled.

Repayment was made to the Dominion Government of \$210,940, in reduction of the liability for loans made on account of unemployment relief.

On June 23, loans totalling \$10,000,000 were obtained from Canadian banks on your Company's short term promissory notes, which were collaterally secured by deposit of certain securities, including \$5,000,000 Consolidated Debenture Stock. These loans were repaid in full on December 9, the collateral was released and the Consolidated Debenture Stock cancelled.

As you were informed in the previous annual report, \$13,422,500 of your Consolidated Debenture Stock was deposited as collateral security to \$9,935,000 of your Serial 4% Secured Notes, which were issued in connection with the acquisition of Soo Line Secured Notes. In accordance with the provisions contained in your Company's notes, an additional amount of \$1,573,500 of your Consolidated Debenture Stock has been deposited as further security therefor. Later in the year a further amount of \$18,500 of the Soo Line Secured Notes was acquired for cash, so that your Company is now the holder of all the Soo Line Secured Notes referred to with the exception of \$11,000.

#### PENSIONS

The Company's pension disbursements for the year amounted to \$2,515,157 and were included in working expenses.

Since the inception of the contributory pension plan on January 1, 1937, the total employee contributions have amounted to \$3,910,247. As was anticipated would be the case during the first few years of operation, disbursements from the pension fund were negligible. The operation of the plan is proving to be satisfactory.

Under the provisions of the United States Carriers Taxing Act, the excise taxes levied on the Company and on its employees, who come under the provisions of the United States Railroad Retire-



ment Act, amounted in each case to \$64,716, being at the rate of 2¾% of the compensation earned by such employees.

During the year 571 employees were pensioned and transferred to the pension payroll. After allowing for deductions owing to deaths and discontinuances through other causes, the total number of pensioners at the close of the year showed an increase of 306 over the number at December 31, 1937. The distribution by ages of the pensioners as at December 31, 1938, was as follows:

Under 60 years of age.....	167
From 60 to 64 years of age inclusive.....	308
From 65 to 70 years of age inclusive.....	1,626
Over 70 years of age.....	1,340
	3,441

#### CANADIAN PACIFIC GREAT LAKES LINE

The rail, lake and rail freight service connecting points in Eastern Canada and the United States with Chicago and Milwaukee, via Port McNicoll, Ontario, to which reference was made in the last annual report, went into operation on the opening of navigation last spring. The two vessels engaged in the service made sixty round trips during the season. While, owing to the general business recession, the results of the first season's operations were not quite as satisfactory as anticipated, the service has enabled the Company not only to maintain its participation in the routing of traffic previously enjoyed but also to secure certain other classes of traffic with benefit to your rail lines.

#### CANADIAN AUSTRALASIAN LINE

Following the Thirty-fifth Report of the Imperial Shipping Committee and discussions during and since the 1937 Imperial Conference in London between the Canadian Australasian Line, Limited, and representatives of the interested Governments, plans and specifications for two new ships for the service between Vancouver and Fiji, New Zealand, and Australia were submitted by that Company to selected shipbuilders and quotations for construction received. Unfortunately, owing to the abnormally high level of shipbuilding prices in Great Britain, it was compelled to defer construction for the present. While this is to be regretted, resumption of discussions looking to the construction of the new ships is anticipated as soon as more favourable prices prevail.

#### VANCOUVER HOTEL

After extended negotiations, referred to at the last annual meeting, the agreement between your Company and the Canadian

National for the joint operation of the new Canadian National hotel now nearing completion in Vancouver was concluded on July 28. The hotel is to be leased to a separate company known as Vancouver Hotel Company, Limited, for a term of twenty-one years, subject to renewal at the option of your Company for a similar term. During the term of the lease, the Hotel Company will pay a rental to the Canadian National equal to its net earnings but not in excess of \$280,000 per annum. Upon the opening of the new hotel on May 25, 1939, your Company's present hotel will be closed, and, thereafter, for a period not exceeding seven years, will be administered by the Hotel Company in the joint interest of the two railway companies. If this property is sold within the seven-year period, your Company will pay to the Canadian National annually, during the remainder of the term of the lease, 2% on the sale price. If it is not sold or leased within three years, the hotel building must be demolished, and if the land is not sold at the expiration of the seven-year period, your Company will pay to the Canadian National annually, during the remainder of the term of the lease, 2% on a value to be agreed upon or fixed by arbitration. For these and other considerations, your Company will receive from the Canadian National 25% of the annual rental paid to the latter by the new hotel company and, by reason of equal ownership of the capital stock, the Canadian National and your Company will each receive by way of dividends one-half of the net profits of the hotel company.

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

The comparative results of the railway operations of this Company were as follows:

	1938	1937	Decrease
Gross Earnings . . . . .	\$13,220,668	\$14,426,636	\$1,205,968
Working Expenses (including taxes) . . . .	13,375,564	13,658,075	282,511
Net Earnings . . . . .	\$ 154,896*	\$ 768,561	\$ 923,457

\*Deficit.

While the grain movement was larger than in 1937, the general business recession in the United States during the first ten months of the year caused a decline in all other classes of traffic. Operating expenses decreased by \$646,576, but taxes increased \$364,065, on account of accruals under the Social Security and Railroad Retirement Acts.

In the reorganization proceedings initiated on December 31, 1937, under the Bankruptcy Act of the United States, the trustees appointed by the Court did not take charge until July 1, 1938, on



account of delay encountered in obtaining the necessary ratification by the Interstate Commerce Commission. A plan of reorganization has not yet been proposed.

#### SPOKANE INTERNATIONAL RAILWAY COMPANY

The comparative results of the railway operations of this Company were as follows:

	1938	1937	Decrease
Gross Earnings. . . . .	\$709,428	\$783,152	\$73,724
Working Expenses (including taxes). . . .	652,967	673,680	20,713
Net Earnings. . . . .	\$ 56,461	\$109,472	\$53,011

In the reorganization proceedings initiated in 1933 under the Bankruptcy Act of the United States, after consideration of the objections urged by groups of bondholders to the reorganization plan proposed by the Bureau of Finance in June, 1936, the Interstate Commerce Commission promulgated a plan of reorganization on June 14, 1938. There was a reargument before the Commission on November 1, 1938, and on January 20, 1939, there was transmitted to the parties of record, for their consideration and criticism, certain proposed modifications of this plan. At the present time, the Commission has not determined which of the modifications are to be adopted. Under the plan promulgated by the Interstate Commerce Commission, no distribution of new securities was made to unsecured claimants or to stockholders. Since your Company holds the most important interest in both groups, your Directors are watching the situation closely with a view to protecting your interests, with the hope that ultimately a fair settlement with the other interests concerned will permit of the continued movement of traffic by this route upon terms equitable to all concerned.

#### THE DULUTH, SOUTH SHORE & ATLANTIC RAILWAY COMPANY

The comparative results of the railway operations of this Company were as follows:

	1938	1937	Decrease
Gross Earnings. . . . .	\$1,782,879	\$2,726,999	\$944,120
Working Expenses (including taxes). . . .	1,909,744	2,263,489	353,745
Net Earnings. . . . .	\$ 126,865*	\$ 463,510	\$590,375

\*Deficit.



While general traffic declined throughout the year, the most serious decrease was a reduction of 79% in shipments of iron ore, owing to drastic curtailment of mining operations in the territory served.

Representatives of your Company have recently been conferring with representatives of holders of substantial amounts of South Shore First Mortgage Bonds in an attempt to agree on a plan of reorganization and on the proper allocation of the new securities as between your Company and the other bondholders. A further conference is planned for the near future with the object of reaching a definite agreement. If this can be accomplished, it is expected that a plan of reorganization can be submitted to the Interstate Commerce Commission at an early date. If such an agreement is not reached, it will be necessary to submit the questions underlying the allocation of the new securities for authoritative determination in appropriate proceedings.

#### CAPITAL EXPENDITURES

In anticipation of your confirmation, your Directors authorized capital appropriations for the year 1938 amounting to \$163,881, in addition to those approved at the last annual meeting. You will be requested to approve capital appropriations of \$3,063,274 for the present year. The principal items are:

Replacement and enlargement of structures in permanent form.....	\$ 113,053
Additions and betterments to stations, freight sheds, coal- ing and watering facilities and engine houses.....	88,132
Ties, tie plates, rail anchors and miscellaneous roadway betterments.....	1,649,906
Replacement of rail in main and branch line tracks with heavier section.....	413,381
Additions and betterments to shop machinery.....	156,511
Additions and betterments to rolling stock.....	230,267
Additions and betterments to hotels.....	19,164
Additions and betterments to communication facilities...	179,023
Additions and betterments to pier "BC" Vancouver....	104,000

The appropriations for additions and betterments to rolling stock include the usual betterments for freight cars, passenger equipment and motive power to increase operating efficiency.

#### LEASES AND AGREEMENTS

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

Agreement dated October 22, 1938, between the Canadian National Railway Company and your Company, made pursuant to

the Canadian National-Canadian Pacific Act of 1933, which directs the two companies to endeavour to agree upon co-operative measures, plans and arrangements for the purpose of effecting economies and providing for more remunerative operation; under this agreement the Canadian National Railway Company agrees to abandon the operation of its line of railway, paralleling the line of your Company, between Louise and Deloraine in the Province of Manitoba, a distance of approximately 57 miles, and to discontinue its communications and express business at Deloraine and in the territory between Louise and Deloraine, the burden and advantage resulting from the abandonment to be equitably divided between the two companies by a monthly payment by your Company to the Canadian National of \$367.96, which may be commuted by a capital sum payment of \$88,310.20.

#### REGULATION

The Transport Act, enacted at the last Session of Parliament, conferred extended jurisdiction on the Board of Transport Commissioners (formerly known as the Board of Railway Commissioners) for the regulation of transport by air and, to a limited extent, by water on the Great Lakes. For the purpose of removing some of the disability of the regulated carriers by rail, water and air in competition with unregulated carriers, the Statute contains authority for the making of agreed charges for the transport of all or any part of the goods of an individual shipper, subject to the approval of the Board. This part of the Act was brought into effect in November, and the traffic officers have since been collaborating with the Board and other interested parties in the settlement of appropriate regulations and methods of procedure under it. Effective Dominion control and regulation of highway transportation cannot be achieved at present, since, with the exception of interprovincial and international movements, highway traffic is under provincial jurisdiction.

A committee appointed by the Minister of Transport has been engaged in preparing revised accounting classifications and has made some progress towards the settlement of new uniform statistical and accounting regulations to govern all Canadian railways.

#### CO-OPERATION WITH THE CANADIAN NATIONAL RAILWAYS

Co-operative studies under the provisions of the Canadian National-Canadian Pacific Act, 1933, were continued throughout the year, but no additional projects were made effective. Formal agreements were executed covering (1) the abandonment of the Canadian National line between Middleton and Bridgetown, Nova



Scotia, (2) the abandonment of the Canadian Pacific line between Linwood and Listowel, Ontario, and (3) the abandonment of the Canadian National line between Louise and Deloraine, Manitoba. The first two of these agreements have been submitted to the Board of Transport Commissioners for approval and cannot be made effective until such approval is obtained. During the year the Joint Executive Committee authorized the completion of formal agreements covering additional projects estimated to yield savings of approximately \$233,000 per annum, bringing the total estimated annual savings from such approved projects not yet in effect to \$854,000, one-half of which will accrue to each Company when the projects become effective. The total annual saving from co-operative arrangements, in effect or authorized by the Joint Executive Committee, at the end of the year was \$1,989,000, as compared with \$1,756,000 at the end of the previous year.

#### SPECIAL COMMITTEE OF THE SENATE, 1938

By resolution passed on March 30, the Senate of Canada appointed a Special Committee to "Enquire into and Report upon the Best Means of Relieving the Country from its Extremely Serious Railway Condition and Financial Burden Consequent Thereto." This Company was requested to arrange for various of its officers to be present and to give evidence as the Committee might desire.

The form of the investigation did not follow closely the terms of reference, which were designed to deal primarily with the heavy annual deficits of the Canadian National Railways. The Special Committee of the Senate gave its attention rather to studying the progress which had been made in establishing co-operative measures under the Canadian National-Canadian Pacific Act, 1933, and then turned to consider the estimates of savings from unified management which were furnished by this Company and the Canadian National Railways to the Royal Commission in 1931-32 at the request of that body.

The officers of your Company gave a detailed account of the methods by which they had prepared the estimate of \$75,300,000 annual savings on the basis of traffic levels such as prevailed in 1930. The officers of the Canadian National did not attempt to substantiate their similar estimate of \$56,230,000 or to offer any evidence to show the savings which might be accomplished by unified management. They criticized certain details of the estimate furnished by your officers, and recommended a programme of compulsory co-operation, which, they claimed, should result in annual joint savings in the order of \$10,000,000.

Towards the close of the hearings, your President recommended to the Committee that independent experts in engineering and accounting should be retained for the purpose of making a thorough and entirely impartial study of the savings which might be obtained by unified management.

Prior to the prorogation of Parliament on July 1, the Committee reported that it had not had sufficient time to complete its study of the subject and recommended that it be reappointed during the 1939 Session of Parliament. Moreover, it expressed a hope that, in the meantime, efforts would be made to increase the speed of adoption of co-operative measures.

Following the recommendations of the Senate Committee, and as a result of a proposal from your Company to the Canadian National, a Joint Committee has been established, consisting of three Vice-Presidents of your Company and three Vice-Presidents of the Canadian National, to ensure that every effort to expedite and widen the application of co-operative measures would be made. This Committee has already recommended the study of a number of projects and has others under consideration.

The effect of the investigation has been to stimulate public interest in the question, and it is believed that further study by the Special Committee, which has been recently reappointed, will tend to clarify the whole situation.

#### STOCK HOLDINGS

The holdings of the Capital Stock of the Company in December, 1938, were distributed as follows:

	ORDINARY		PREFERENCE		Percentage of Ordinary and Preference Stocks combined
	No. of holders	Percentage of Stock	No. of holders	Percentage of Stock	
Canada.....	26,505	17.82	160	.69	12.75
United Kingdom and other British	19,641	53.06	25,714	94.97	65.47
United States.....	15,725	22.42	60	.28	15.86
Other Countries...	3,835	6.70	585	4.06	5.92
	<hr/>		<hr/>		
	65,706		26,519		

#### CHANGES IN DIRECTORATE

It is with deep regret that your Directors have to report the death on October 4, 1938, of the Rt. Hon. Lord Shaughnessy, K.C., who had been a member of the Board since June 1919.



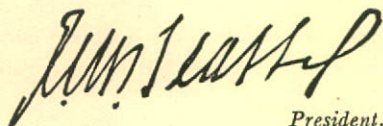
## RETIRING DIRECTORS

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

COLONEL HENRY COCKSHUTT,  
SIR HERBERT S. HOLT,  
BRIGADIER-GENERAL F. S. MEIGHEN, C.M.G.,  
MR. ROBERT C. STANLEY.

Your Directors desire to express their sincere appreciation of the efficient services rendered by the officers and employees of the Company throughout the year and their continued devotion to its interests.

For the Directors,

A handwritten signature in dark ink, appearing to read 'J. M. [unclear]', written in a cursive style.

*President.*

MONTREAL, March 13, 1939.

CANADIAN PACIFIC  
GENERAL BALANCE

ASSETS	
PROPERTY INVESTMENT:	
Railway, Rolling Stock, Inland Steamships, Hotel, Communication and Miscellaneous Properties..	\$ 803,282,535.65
Improvements on Leased Railway Property.....	96,616,381.58
Ocean and Coastal Steamships.....	104,728,199.86
Stocks, Bonds and Other Securities of Leased, Controlled and Jointly Controlled Railway Companies and Wholly Owned Companies— Cost.....	209,359,208.97
	\$ 1,213,986,326.06
OTHER INVESTMENTS:	
Miscellaneous Investments—Cost.....	\$ 26,736,208.08
Advances to Controlled and Other Companies...	28,759,575.28
Mortgages Collectible and Loans & Advances to Settlers.....	3,455,692.71
Insurance Fund Investments.....	8,259,087.21
Deferred Payments on Lands and Townsites....	35,720,759.40
Unsold Lands and Other Properties.....	27,429,258.01
	130,360,580.69
CURRENT ASSETS:	
Material and Supplies.....	\$ 17,115,362.85
Agents' and Conductors' Balances.....	5,774,594.76
Net Traffic Balances.....	728,028.31
Miscellaneous Accounts Receivable.....	4,394,710.10
Cash.....	21,883,908.93
	49,896,604.95
UNADJUSTED DEBITS:	
Insurance Prepaid.....	\$ 170,346.05
Unamortized Discount on Bonds.....	3,237,888.68
Other Unadjusted Debits.....	1,327,855.64
	4,736,090.37
	\$ 1,398,979,602.07

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

SHEET, DECEMBER 31, 1938

## LIABILITIES

CAPITAL STOCK:	
Ordinary Stock . . . . .	\$ 335,000,000.00
Preference Stock—4% Non-cumulative . . . . .	137,256,921.12
	\$ 472,256,921.12
PERPETUAL 4% CONSOLIDATED DEBENTURE STOCK . . . . .	\$ 500,402,228.74
LESS: Pledged as collateral to bonds, notes and equipment obligations . . . . .	204,964,000.00
	295,438,228.74
BONDS, NOTES AND EQUIPMENT OBLIGATIONS . . . . .	\$ 219,557,230.77
LESS: Securities deposited with Trustee of 5% Equipment Trust . . . . .	6,954,606.60
	212,602,624.17
TWENTY YEAR 4½% SINKING FUND SECURED NOTE CERTIFICATES (1944) . . . . .	\$ 30,000,000.00
LESS: Purchased by Trustee and cancelled . . . . .	10,413,900.00
	19,586,100.00
CURRENT LIABILITIES:	
Audited Vouchers . . . . .	\$ 4,840,469.83
Pay Rolls . . . . .	2,822,146.68
Miscellaneous Accounts Payable . . . . .	2,651,689.68
Accrued Fixed Charges and Guaranteed Interest . . . . .	2,758,348.07
	13,072,654.26
DEFERRED LIABILITIES:	
Dominion Government Unemployment Relief . . . . .	\$ 3,850,042.71
Miscellaneous . . . . .	1,644,998.37
	5,495,041.08
RESERVES AND UNADJUSTED CREDITS:	
Rolling Stock Reserve . . . . .	\$ 8,249,662.59
Hotel Depreciation Reserve . . . . .	5,443,666.73
Steamship Depreciation Reserve . . . . .	47,856,285.79
Insurance Reserve . . . . .	8,259,087.21
Contingent Reserves . . . . .	5,165,250.23
Investment Reserves . . . . .	26,784,433.39
Unadjusted Credits . . . . .	3,457,979.03
	105,216,364.97
PREMIUM RECEIVED ON CAPITAL AND DEBENTURE STOCK (Less discount on bonds and notes written off at date of issue) . . . . .	66,583,565.94
LAND SURPLUS . . . . .	71,758,451.53
PROFIT AND LOSS BALANCE . . . . .	136,969,650.26
	<u>\$ 1,398,979,602.07</u>

E. A. LESLIE,  
*Comptroller.*

## AUDITORS' CERTIFICATE.

We have examined the Books and Records of the Canadian Pacific Railway Company for the year ending December 31, 1938, 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.

PRICE, WATERHOUSE & CO.,  
Chartered Accountants.

Montreal, March 10, 1939.

## GROSS EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1938

Freight.....	\$ 110,327,508.73
Passenger.....	16,121,401.97
Mail.....	3,585,789.25
Express.....	2,953,804.86
Sleeping, Parlor and Dining Car and Miscellaneous.....	9,270,475.95
Total.....	<u>\$ 142,258,980.76</u>

## WORKING EXPENSES FOR THE YEAR ENDED DECEMBER 31, 1938

Maintenance of Way and Structures.....	\$ 19,931,132.54
Maintenance of Equipment.....	28,127,529.09
Traffic.....	7,353,604.65
Transportation.....	53,803,193.99
Miscellaneous Operations.....	2,160,437.63
General.....	5,865,436.47
Transportation for Investment—Cr.....	175,388.78
Railway Tax Accruals.....	4,440,569.30
Total.....	<u>\$ 121,506,514.89</u>

## OTHER INCOME FOR THE YEAR ENDED DECEMBER 31, 1938

Dividends.....	\$ 4,867,205.97
Net income from interest, exchange, separately operated properties and miscellaneous.....	1,492,530.43
Net earnings from ocean and coastal steamships after provision of \$3,781,989.66 for depreciation.....	591,071.35
Net earnings from hotel, communication and miscellaneous properties after provision of \$1,246,687.31 for depreciation of hotels.....	412,864.91
Total.....	<u>\$ 7,363,672.66</u>



## FIXED CHARGES FOR THE YEAR ENDED DECEMBER 31, 1938

## RENT FOR LEASED ROADS:

Alberta Railway & Irrigation Company.....	\$	1,590.00	
Algoma Eastern Railway.....		111,325.00	
Atlantic & North-West Railway.....		253,066.66	
Calgary & Edmonton Railway.....		218,357.60	
Connecticut & Passumpsic Rivers Railroad.....		246,000.00	
Dominion Atlantic Railway.....		168,500.00	
Fredericton & Grand Lake Coal & Railway.....		45,784.33	
Glengarry & Stormont Railway.....		40,853.82	
Guelph Junction Railway.....		25,840.92	
Joliette & Brandon Railway.....		5,000.00	
Lacombe & North Western Railway.....		13,685.00	
Lindsay, Bobcaygeon & Pontypool Railway.....		20,000.00	
Montreal & Atlantic Railway.....		33,120.00	
New Brunswick Railway System.....		390,186.74	
Ontario & Quebec Railway.....		1,234,794.90	
Quebec Central Railway.....		634,754.42	
St. Lawrence & Ottawa Railway.....		38,933.34	
St. Stephen & Milltown Railway.....		2,050.00	
Southampton Railway.....		672.12	
Tobique Railway.....		8,833.07	
Toronto, Hamilton & Buffalo Railway.....		8,717.42	
Winnipeg River Railway.....		1.00	
	\$		3,502,066.34

## INTEREST ON FUNDED DEBT:

Equipment Obligations.....	\$	2,163,714.89	
Perpetual 4% Consolidated Debenture Stock.....		11,817,529.16	
20 Year 4½% Collateral Trust Gold Bonds.....		900,000.00	
25 Year 5% Collateral Trust Gold Bonds.....		1,500,000.00	
30 Year 4½% Collateral Trust Gold Bonds.....		1,125,000.00	
Convertible 10 Year 6% Collateral Trust Bonds..		750,000.00	
Convertible 15 Year 4% Collateral Trust Bonds..		480,000.00	
Serial 3% Collateral Trust Bonds.....		93,750.00	
Convertible 15 Year 3½% Collateral Trust Bonds		350,000.00	
3 Year 2½% Collateral Trust Bonds.....		200,000.00	
5 Year 2½% Collateral Trust Bonds.....		375,000.00	
Convertible 9½ Year 3% Collateral Trust Bonds.		450,000.00	
Serial 4% Secured Notes.....		368,172.03	
			20,573,166.08
INTEREST ON UNFUNDED DEBT.....			230,494.63
AMORTIZATION OF DISCOUNT ON FUNDED DEBT.....			462,211.69
	\$		24,767,938.74

**CHANGES IN PROPERTY INVESTMENT**  
**YEAR ENDED DECEMBER 31, 1938**

<b>RAILWAY, ROLLING STOCK, INLAND STEAMSHIPS, HOTEL, COMMUNICATION AND MISCELLANEOUS PROPERTIES:</b>		
Balance at December 31, 1937.....	\$ 791,499,758.41	
Additions and Betterments (less retirements):		
Railway.....Cr. \$ 654,645.66		
Rolling Stock.....	11,346,368.54	
Hotel, Communication and Miscellaneous Properties.....	1,091,054.36	
	11,782,777.24	
Total December 31, 1938, as per Balance Sheet.....		\$ 803,282,535.65
<b>IMPROVEMENTS ON LEASED RAILWAY PROPERTY:</b>		
Balance at December 31, 1937.....	\$ 95,702,731.91	
Additions and Betterments (less retirements):		
Railway.....	\$ 1,237,517.83	
Rolling Stock.....Cr. 323,868.16		
	913,649.67	
Total December 31, 1938, as per Balance Sheet.....		96,616,381.58
<b>OCEAN AND COASTAL STEAMSHIPS:</b>		
Balance at December 31, 1937.....	\$ 104,720,644.49	
Additions and Betterments:		
Coastal.....	7,555.37	
Total December 31, 1938, as per Balance Sheet.....		104,728,199.86
<b>STOCKS, BONDS AND OTHER SECURITIES OF LEASED, CONTROLLED AND JOINTLY CONTROLLED RAILWAY COMPANIES AND WHOLLY OWNED COMPANIES:</b>		
Balance at December 31, 1937.....	\$ 197,959,694.64	
<b>ACQUIRED:</b>		
Alberta Railway & Irrigation Company— 1 Share Capital Stock.....	\$ 100.00	
Kingston & Pembroke Railway Company— 100 Shares Common Stock.....	20.00	
Manitoba South Western Colonization Railway Company— \$1,000.00 1st Mortgage Bonds.....	1,000.00	
Marquette, Houghton & Ontonagon Rail- road Company— \$2,000.00 Mortgage Bonds.....	2,000.00	
Minneapolis, St. Paul & Sault Ste. Marie Railway Company— Secured Notes.....	11,696,394.33	
	\$11,699,514.33	
<b>LESS:</b>		
Seigniority Club Community Association, Limited— \$300,000.00 1st Mortgage Income Bonds redeemed.....	300,000.00	
	11,399,514.33	
Total December 31, 1938, as per Balance Sheet.....		209,359,208.97
PROPERTY INVESTMENT December 31, 1938, as per Balance Sheet.....		\$ 1,213,986,326.06



STOCKS, BONDS AND OTHER SECURITIES OF LEASED, CONTROLLED AND  
JOINTLY CONTROLLED RAILWAY COMPANIES AND WHOLLY  
OWNED COMPANIES AT DECEMBER 31, 1938

LEASED RAILWAY COMPANIES		Par Value or Principal Amount
ALBERTA CENTRAL RAILWAY COMPANY		
†	Mortgage Bonds.....	4% \$ 2,240,000.00
†	Capital Stock.....	50,000.00
ALBERTA RAILWAY & IRRIGATION COMPANY		
†	Mortgage Bonds.....	4% 1,676,000.00
	Capital Stock.....	3,223,500.00
ALGOMA EASTERN RAILWAY COMPANY		
†	Preferred Stock.....	1,000,000.00
†	Common Stock.....	2,000,000.00
AROSTOOK RIVER RAILROAD COMPANY		
†	Capital Stock.....	793,550.00
ATLANTIC & NORTH-WEST RAILWAY COMPANY		
†	1st Mortgage Bonds, Eganville Branch.....	4% 302,400.00
†	Guaranteed Capital Stock.....	5% 3,240,000.00
†	Common Stock.....	180,000.00
BRITISH COLUMBIA SOUTHERN RAILWAY COMPANY		
†	1st Mortgage Bonds.....	5% 1,175,000.00
†	Capital Stock.....	172,200.00
CALGARY & EDMONTON RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 7,440,000.00
	Capital Stock.....	1,000,000.00
CAMPBELLFORD, LAKE ONTARIO & WESTERN RAILWAY CO.		
†	Mortgage Bonds.....	4% 11,895,000.00
†	Capital Stock.....	125,000.00
COLUMBIA & KOOTENAY RAILWAY & NAVIGATION COMPANY		
†	1st Mortgage Bonds.....	4% 1,277,500.00
†	Capital Stock.....	250,000.00
COLUMBIA & WESTERN RAILWAY COMPANY		
†	1st Mortgage Bonds.....	5% 5,691,000.00
†	Capital Stock.....	925,000.00
DOMINION ATLANTIC RAILWAY COMPANY		
	2nd Debenture Stock.....	4% 924,666.67
†	Extension Debenture Stock.....	4% 1,423,500.00
†	Mortgage Bonds.....	4% 1,700,000.00
	Preference Stock.....	5% 1,313,122.00
	Ordinary Stock.....	1,101,848.93
ESQUIMALT & NANAIMO RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 7,832,000.00
†	Capital Stock.....	2,500,000.00
FREDERICTON & GRAND LAKE COAL & RAILWAY COMPANY		
†	1st Mortgage Bonds.....	4% 465,000.00
†	Capital Stock.....	140,000.00
GEORGIAN BAY & SEABOARD RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 4,840,000.00
†	Capital Stock.....	250,000.00
GRAND RIVER RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 426,000.00
†	Capital Stock.....	125,000.00
GREAT NORTH WEST CENTRAL RAILWAY COMPANY		
†	1st Mortgage Bonds.....	5% 1,375,000.00
†	Capital Stock.....	500,000.00
GUELPH & GODERICH RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 2,415,000.00
†	Capital Stock.....	125,000.00
INTERPROVINCIAL & JAMES BAY RAILWAY COMPANY		
†	Mortgage Bonds.....	5% 3,850,000.00
†	Capital Stock.....	34,000.00
JOLIETTE & BRANDON RAILWAY COMPANY		
†	Capital Stock.....	300,000.00
KASLO & SLOCAN RAILWAY COMPANY		
†	Mortgage Bonds.....	5% 531,000.00
†	Capital Stock.....	1,000,000.00
	<i>Carried forward</i> .....	\$ 77,827,287.60

## LEASED RAILWAY COMPANIES—Continued

		Par Value or Principal Amount
<i>Brought forward</i> .....		\$ 77,827,287.60
<b>KETTLER VALLEY RAILWAY COMPANY</b>		
†	Mortgage Bonds.....	4% 15,210,000.00
†	2nd Mortgage Bonds.....	4% 1,507,000.00
†	Capital Stock.....	375,000.00
<b>KINGSTON &amp; PEMBROKE RAILWAY COMPANY</b>		
†	Mortgage Bonds.....	4% 1,075,000.00
	1st Preferred Stock.....	995,450.00
	2nd Preferred Stock.....	134,900.00
	Common Stock.....	2,045,900.00
<b>KOOTENAY &amp; ARROWHEAD RAILWAY COMPANY</b>		
†	1st Mortgage Bonds.....	5% 780,000.00
†	Capital Stock.....	250,000.00
<b>KOOTENAY CENTRAL RAILWAY COMPANY</b>		
†	Mortgage Bonds.....	4% 5,340,000.00
†	Capital Stock.....	250,000.00
<b>LACOMBE &amp; NORTH WESTERN RAILWAY COMPANY</b>		
†	Mortgage Bonds.....	4% 2,300,000.00
†	Capital Stock.....	500,000.00
<b>LAKE ERIE &amp; NORTHERN RAILWAY COMPANY</b>		
†	Consolidated Mortgage Bonds.....	4% 2,317,500.00
	Capital Stock.....	1,396,225.00
<b>LINDSAY, BOBCAYGEON &amp; PONTYPOOL RAILWAY COMPANY</b>		
†	Capital Stock.....	200,000.00
<b>MANITOBA &amp; NORTH WESTERN RAILWAY COMPANY</b>		
†	1st Mortgage Bonds.....	5% 160,600.00
†	1st Mortgage Bonds.....	6% 2,628,000.00
†	Mortgage Bonds.....	5% 12,196,000.00
†	Debenture Stock.....	5% 613,200.00
†	Preference Stock.....	415,000.00
	Capital Stock.....	5,613,113.63
<b>MANITOBA SOUTH WESTERN COLONIZATION RAILWAY CO.</b>		
†	1st Mortgage Bonds.....	5% 2,613,000.00
†	Capital Stock.....	700,000.00
<b>MIDLAND-SIMCOE RAILWAY COMPANY</b>		
†	Capital Stock.....	250,000.00
<b>MONTREAL &amp; ATLANTIC RAILWAY COMPANY</b>		
†	Mortgage Bonds.....	5% 2,165,000.00
	Capital Stock.....	2,480,000.00
<b>MONTREAL &amp; OTTAWA RAILWAY COMPANY</b>		
†	1st Mortgage Bonds.....	5% 1,636,250.00
	Capital Stock.....	197,000.00
<b>NAKUSP &amp; SLOCAN RAILWAY COMPANY</b>		
†	Mortgage Bonds.....	5% 1,211,750.00
†	Capital Stock.....	300,000.00
<b>NEW BRUNSWICK SOUTHERN RAILWAY COMPANY</b>		
†	Mortgage Bonds.....	4% 500,000.00
†	Capital Stock.....	49,000.00
<b>NICOLA, KAMLOOPS &amp; SIMILKAMEEN COAL &amp; RAILWAY CO.</b>		
†	Mortgage Bonds.....	4% 1,175,000.00
†	Capital Stock.....	250,000.00
<b>NORTHERN COLONIZATION RAILWAY COMPANY</b>		
†	Mortgage Bonds.....	4% 1,118,000.00
†	Capital Stock.....	300,000.00
<b>ONTARIO &amp; QUEBEC RAILWAY COMPANY</b>		
	Common Stock.....	5,000.00
<b>ORFORD MOUNTAIN RAILWAY COMPANY</b>		
†	Mortgage Bonds.....	4% 702,000.00
†	Capital Stock.....	501,000.00
<b>OTTAWA, NORTHERN &amp; WESTERN RAILWAY COMPANY</b>		
†	Mortgage Bonds.....	4% 3,075,000.00
†	Capital Stock.....	804,000.00
<b>ST. LAWRENCE &amp; OTTAWA RAILWAY COMPANY</b>		
	Preference Stock.....	466,000.00
<b>ST. MARY'S &amp; WESTERN ONTARIO RAILWAY COMPANY</b>		
†	Mortgage Bonds.....	4% 356,500.00
†	Capital Stock.....	250,000.00
<i>Carried forward</i> .....		\$ 155,234,676.23



## LEASED RAILWAY COMPANIES—Continued

Par Value or  
Principal Amount

		Brought forward.....	\$ 155,234,676.23
ST. MAURICE VALLEY RAILWAY COMPANY			
†	Mortgage Bonds.....	4%	945,000.00
†	Capital Stock.....		500,000.00
SASKATCHEWAN & WESTERN RAILWAY COMPANY			
†	1st Mortgage Bonds.....	5%	181,040.00
†	Capital Stock.....		232,500.00
SHUSWAP & OKANAGAN RAILWAY COMPANY			
†	Mortgage Bonds.....	4%	1,250,000.00
†	Capital Stock.....		741,000.00
SOUTH ONTARIO PACIFIC RAILWAY COMPANY			
†	Mortgage Bonds.....	4%	495,000.00
†	Capital Stock.....		200,000.00
TILSONBURG, LAKE ERIE & PACIFIC RAILWAY COMPANY			
†	Mortgage Bonds.....	4%	1,067,500.00
†	Capital Stock.....		400,000.00
TORONTO, GREY & BRUCE RAILWAY COMPANY			
†	Capital Stock.....		596,000.00
VANCOUVER & LULU ISLAND RAILWAY COMPANY			
†	1st Mortgage Bonds.....	5%	455,000.00
†	Capital Stock.....		25,000.00
WALKERTON & LUCKNOW RAILWAY COMPANY			
†	Mortgage Bonds.....	4%	740,000.00
†	Capital Stock.....		19,000.00
WEST ONTARIO PACIFIC RAILWAY COMPANY			
†	Capital Stock.....		21,000.00
Cost.....	\$ 134,063,518.93	Total	<u>\$ 163,102,716.23</u>

## CONTROLLED RAILWAY COMPANIES\*

AROOSTOOK VALLEY RAILROAD COMPANY			
†	Capital Stock.....		\$ 240,000.00
MINNEAPOLIS, ST. PAUL & SAULT STE. MARIE RAILWAY Co.			
†	1st Consolidated Mortgage Bonds.....	4%	3,993,000.00
†	Secured Notes.....	6%	4,989,000.00
†	Secured Notes.....	4%	6,733,758.30
†	Preferred Stock.....		7,000,000.00
†	Common Stock.....		12,723,500.00
SPOKANE INTERNATIONAL RAILWAY COMPANY			
†	1st Mortgage Bonds.....	5%	30,000.00
†	Capital Stock.....		3,941,800.00
COEUR D'ALENE & PEND D'OREILLE RAILWAY COMPANY			
†	1st Mortgage Bonds.....	5%	47,000.00
THE DULUTH, SOUTH SHORE & ATLANTIC RAILWAY Co.			
†	Marquette, Houghton & Ontonagon Railroad Company Mortgage Bonds.....	6%	1,071,000.00
†	1st Consolidated Mortgage Bonds.....	4%	15,107,000.00
†	Income Certificates.....		3,000,000.00
†	Preferred Stock.....		5,100,000.00
†	Common Stock.....		6,100,000.00
MINERAL RANGE RAILROAD COMPANY			
†	General Mortgage Bonds.....	4%	1,000,000.00
†	Consolidated Mortgage Bonds.....	4%	177,800.00
†	Consolidated Mortgage Bonds.....	5%	234,500.00
†	Hancock & Calumet Railroad Company Con- solidated Mortgage Bonds.....	5%	180,375.00
Cost.....	\$ 45,666,056.75	Total	<u>\$ 71,668,733.30</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.

JOINTLY CONTROLLED RAILWAY COMPANIES		Par Value or Principal Amount
<b>NORTHERN ALBERTA RAILWAYS COMPANY</b>		
1st Mortgage Bonds.....	5%	\$ 7,235,000.00
Capital Stock.....		312,500.00
<b>TORONTO, HAMILTON &amp; BUFFALO RAILWAY COMPANY</b>		
Capital Stock.....		1,469,500.00
<b>TORONTO TERMINALS RAILWAY COMPANY</b>		
1st Mortgage Bonds.....	5%	11,862,400.00
Capital Stock.....		250,000.00
Cost.....	\$ 20,171,926.00	Total
		<u>\$ 21,129,400.00</u>

#### WHOLLY OWNED COMPANIES

<b>CANADIAN PACIFIC EXPRESS COMPANY</b>		
Capital Stock.....		\$ 3,000,000.00
<b>CANADIAN PACIFIC RAILWAY AGENCY (BELGIUM) S.A.</b>		
Capital Stock.....	Cost	8,000.00
<b>CANADIAN PACIFIC RAILWAY (FRANCE) S.A.</b>		
Capital Stock.....	Cost	9,693.66
<b>CANADIAN PACIFIC RAILWAY (GERMANY) G.m.b.H.</b>		
Capital Stock.....	Cost	135.96
<b>CANADIAN PACIFIC RAILWAY (ITALY) S.A.I.</b>		
Capital Stock.....	Cost	12,882.17
<b>CANADIAN PACIFIC STEAMSHIPS, LIMITED</b>		
Capital Stock.....		34,407.34
<b>CANADIAN PACIFIC TRANSPORT COMPANY, LIMITED</b>		
Capital Stock.....		50,000.00
<b>CHATEAU FRONTENAC COMPANY</b>		
Common Stock.....		280,000.00
<b>EASTERN ABATTOIRS, LIMITED</b>		
Capital Stock.....		5,700.00
<b>LADYSMITH WATER COMPANY, LIMITED</b>		
Capital Stock.....		50,000.00
<b>MERSEY TOWING COMPANY, LIMITED</b>		
Common Stock.....		165,904.67
<b>QUEBEC CENTRAL TRANSPORTATION COMPANY</b>		
Capital Stock.....		42,000.00
<b>ST. JOHN BRIDGE &amp; RAILWAY EXTENSION COMPANY</b>		
1st Mortgage Bonds.....	5%	125,000.00
Capital Stock.....		200,000.00
<b>SEIGNIORY CLUB COMMUNITY ASSOCIATION, LIMITED</b>		
1st Mortgage Income Bonds.....	5%	4,325,000.00
Capital Stock—No Par Value—10,000 Shares.	Cost	500,000.00
<b>THE ALBERTA STOCK YARDS COMPANY, LIMITED</b>		
Preferred Stock.....		450,000.00
Common Stock.....		86,000.00
<b>THE NEW BRUNSWICK COLD STORAGE COMPANY, LIMITED</b>		
Cumulative Preference Stock.....		25,000.00
Capital Stock.....		50,000.00
<b>THE SCOTTISH TRUST COMPANY</b>		
Capital Stock.....		250,000.00
Cost....	\$ 9,457,707.29	Total
		<u>\$ 9,669,723.80</u>

#### SUMMARY

	Cost	Par Value or Principal Amount
Leased Railway Companies.....	\$ 134,063,518.93	\$ 163,102,716.23
Controlled Railway Companies.....	45,666,056.75	71,668,733.30
Jointly Controlled Railway Companies.....	20,171,926.00	21,129,400.00
Wholly Owned Companies.....	9,457,707.29	9,669,723.80
	<u>\$ 209,359,208.97</u>	<u>\$ 265,570,573.33</u>



## MISCELLANEOUS INVESTMENTS AT DECEMBER 31, 1938

	Par Value or Principal Amount
Cambridge Collieries Company	
1st Mortgage Bonds.....	\$ 274,400.00
Preferred Stock.....	899,300.00
Common Stock—No Par Value.....	Cost 10,000.00
Canadian Australasian Line, Limited	
Capital Stock.....	2,433,300.00
Canadian Pacific Car & Passenger Transfer Company, Limited	
Common Stock.....	200,000.00
Lethbridge Collieries, Limited	
Capital Stock.....	880,000.00
Lord Nelson Hotel Company, Limited	
Cumulative Preference Stock.....	350,000.00
Common Stock—No Par Value.....	Cost 4,500.00
Midland Simcoe Elevator Company, Limited	
Capital Stock.....	392,000.00
New Jersey Bridge Construction Company	
Capital Stock.....	5,000.00
The Consolidated Mining & Smelting Company of Canada, Limited	
Capital Stock.....	8,412,500.00
The Pennsylvania-Ontario Transportation Company	
Capital Stock.....	187,500.00
The Public Markets, Limited	
Capital Stock.....	575,000.00
The Quebec Salvage & Wrecking Company, Limited	
Capital Stock.....	180,000.00
Other Investments.....	Cost 3,804,610.71
Cost.....	\$ 26,736,208.08
	Total <u>\$ 18,608,110.71</u>

We have examined all the Securities, including those listed above, held for account of the Canadian Pacific Railway Company, by the Treasurer, and have received certificates from the Custodians, for those deposited with the Banks and Trust Companies for safe custody, and having compared them with the records of the Company, find them correct and in order.

PRICE, WATERHOUSE & CO.,  
Chartered Accountants.

Montreal, March 10, 1939.

## BONDS, NOTES AND EQUIPMENT OBLIGATIONS AT DECEMBER 31, 1938

	RATE	DATE OF ISSUE	DATE OF MATURITY	CURRENCY IN WHICH PAYABLE	PRINCIPAL OUTSTANDING
<b>EQUIPMENT OBLIGATIONS:</b>					
†Equipment Trust.....	5%	July 1, 1929	July 1, 1944	Canadian or United States	\$20,831,000.00
Equipment Trust Series "C".....	4½%	Dec. 1, 1930	Serially to Nov. 30, 1945	United States	6,650,000.00
*Equipment Trust Series "D".....	{3% 2½%	Feb. 1, 1937 Feb. 1, 1937	Serially to Jan. 31, 1952	Canadian United States	7,236,000.00 7,236,000.00
Equipment Trust Series "E".....	3%	June 1, 1938	Serially to May 31, 1953	Canadian	11,880,000.00
Equipment Agreement Dominion Government	3%	Dec. 15, 1937	Serially to Jan. 1, 1950	Canadian	5,289,230.77
<b>**COLLATERAL TRUST BONDS:</b>					
Twenty Year Gold Bonds.....	4½%	Sept. 1, 1926	Sept. 1, 1946	Canadian or United States	20,000,000.00
Twenty-five Year Gold Bonds.....	5%	Dec. 1, 1929	Dec. 1, 1954	Canadian or United States	30,000,000.00
Thirty Year Gold Bonds.....	4½%	July 1, 1930	July 1, 1960	Canadian or United States	25,000,000.00
Convertible Ten Year Bonds..... (Conversion privilege has terminated)	6%	Mar. 15, 1932	Mar. 15, 1942	Canadian	12,500,000.00
Convertible Fifteen Year Bonds..... (Conversion privilege termin- ates July 2, 1941)	4%	July 2, 1934	July 2, 1949	Canadian	12,000,000.00
Serial Bonds.....	3%	Feb. 15, 1936	Serially to Feb. 15, 1941	Canadian	3,000,000.00
Convertible Fifteen Year Bonds..... (Conversion privilege termin- ates February 15, 1944)	3½%	Feb. 15, 1936	Feb. 15, 1951	Canadian	10,000,000.00
Three Year Bonds.....	2½%	Apr. 1, 1936	Apr. 1, 1939	Canadian	8,000,000.00
Five Year Bonds.....	2½%	Apr. 1, 1936	Apr. 1, 1941	Canadian	15,000,000.00
Convertible Nine and One-half Year Bonds.. (Conversion privilege termin- ates April 1, 1944)	3%	Apr. 1, 1936	Oct. 1, 1945	Canadian	15,000,000.00
<b>**NOTES:</b>					
Serial Secured Notes....	4%	Jan. 28, 1938	Serially to Feb. 1, 1948	United States	9,935,000.00
					<u>\$ 219,557,230.77</u>

†Securities deposited with Trustee aggregate \$6,954,606.60.

\*Secured in part by pledge of Perpetual 4% Consolidated Debenture Stock aggregating, in principal amount, \$3,618,000.00.

\*\*Secured by pledge of Perpetual 4% Consolidated Debenture Stock aggregating, in principal amount, \$201,346,000.00.



OBLIGATIONS IN RESPECT OF PRINCIPAL OF SECURITIES OF  
COMPANIES OWNING RAILWAY LINES OPERATED UNDER LEASE  
AT DECEMBER 31, 1938

DESCRIPTION	RATE	PRINCIPAL OUTSTANDING	NATURE OF OBLIGATION
<b>ALGOMA EASTERN RAILWAY COMPANY</b>			
First Mortgage Bonds, maturing March 1, 1961.....	5%	\$ 2,226,500.00	Indemnity to the Lake Superior Corporation against liability under its guarantee of principal.
<b>ATLANTIC &amp; NORTH-WEST RAILWAY COMPANY</b>			
First Mortgage Redeemable Debenture Stock, maturing January 1, 1957.	4%	6,326,666.67	Guarantee of principal and interest.
<b>CALGARY &amp; EDMONTON RAILWAY COMPANY</b>			
Consolidated Debenture Stock, terminable January 1, 2002.....	4%	5,458,940.00	Guarantee and assumption of payment of principal upon expiry of lease (January 1, 2002) or in alternative, renewal of lease.
<b>JOLIETTE &amp; BRANDON RAILWAY COMPANY</b>			
First Mortgage Bonds, maturing January 1, 2000.....	4%	125,000.00	Covenant in lease to pay principal upon expiry of term (January 1, 2000).
<b>LACOMBE &amp; NORTH WESTERN RAILWAY COMPANY</b>			
First Mortgage Debenture Bonds, maturing October 22, 1943.....	5%	273,700.00	Assumption of liability of Province of Alberta under its guarantee of principal.
<b>QUEBEC CENTRAL RAILWAY COMPANY</b>			
Second Mortgage Debenture Stock, maturing January 1, 1963.....	3½%	1,644,933.33	Guarantee of principal in favour of Trustees.
Third Mortgage Bonds, maturing January 1, 1963.....	5%	1,644,933.33	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, 1938

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

Description	Rate	Principal Outstanding	Nature of Obligation
<b>AROOSTOOK VALLEY RAILROAD COMPANY</b>			
First and Refunding Mortgage Bonds, maturing July 1, 1961....	4½%	\$ 455,832.00*	Guarantee of interest.
First and Refunding Mortgage Bonds, Series "A", maturing August 1, 1957.....	5½%	280,500.00	Guarantee of interest.
*Includes \$188,956.00 held in Sinking Fund.			
<b>LORD NELSON HOTEL COMPANY, LIMITED</b>			
First Mortgage Sinking Fund Bonds, maturing November 1, 1947.....	4%	600,000.00	Guarantee of interest.
<b>MINNEAPOLIS, ST. PAUL &amp; SAULT STE. MARIE RAILWAY COMPANY</b>			
Second Mortgage Bonds, maturing January 1, 1949.....	4%	3,500,000.00	Guarantee of interest.
First Refunding Mortgage Bonds, Series "B", maturing July 1, 1978.....	5½%	24,606,000.00*	Guarantee of interest.
*Includes \$12,500,000.00 pledged as collateral for notes, all of which, except \$11,000.00, are owned by the Canadian Pacific Railway 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 \$515,000.00.

**NORTHERN ALBERTA RAILWAYS COMPANY.**—Agreement binding the Company jointly and equally with Canadian National Railway Company to pay final instalment of purchase price of \$5,580,000.00 on June 1, 1939, and to indemnify the Government of Alberta against liability under its guarantee of principal of \$7,000,000.00 First Mortgage 4% Debenture Stock maturing February 16, 1942, and \$2,420,000.00 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 the Canadian Pacific Railway Company in respect of the principal of these obligations is \$7,500,000.00. 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."

**SOUTH SHORE DOCK COMPANY.**—Guarantee of payment to Trustees of a rental sufficient to pay interest on and retire principal of \$586,000.00\* First Mortgage 5% Bonds, maturing serially to 1945.

\*Includes \$35,000.00 held by Trustees.

**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 \$2,000,000.00\* Consolidated Mortgage 4½% Bonds, Series "A", maturing August 1, 1966.

\*Includes \$128,000.00 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, 1937.....		\$ 74,523,291.73
Sales and miscellaneous receipts.....	\$ 2,338,236.33	
Interest on deferred payments.....	735,407.60	
		<u>3,073,643.93</u>
		\$ 77,596,935.66
DEDUCT:		
Land and irrigation expenses.....	\$ 781,199.27	
Taxes.....	688,124.92	
Immigration and colonization expenses.....	249,329.38	
Interest on note certificates.....	895,572.82	
Land contracts cancelled.....	1,665,511.10	
Value of lands sold, less value of lands reacquired... ..	1,589,962.70	
Miscellaneous adjustments..... Cr.	<u>31,216.06</u>	
		5,838,484.13
Land Surplus December 31, 1938, as per Balance Sheet.....		<u><u>\$ 71,758,451.53</u></u>

## MILEAGE AT DECEMBER 31, 1938

CANADIAN PACIFIC RAILWAY—		Miles Operated
New Brunswick District	.....	841.8
Quebec	.....	1,673.6
Ontario	.....	1,432.5
Algoma	.....	1,224.6
Manitoba	.....	2,530.8
Saskatchewan	.....	3,624.3
Alberta	.....	3,168.8
British Columbia	.....	2,030.0
Dominion Atlantic Lines	.....	304.0
Quebec Central Lines	.....	356.6
Total	.....	<u>17,187.0</u>
CANADIAN PACIFIC ELECTRIC LINES—		
Grand River Railway	.....	18.6
Lake Erie & Northern Railway	.....	51.0
		<u>69.6</u>
		17,256.6
CONTROLLED RAILWAY COMPANIES—		
Aroostook Valley Railroad	.....	32.1
Minneapolis, St. Paul & Sault Ste. Marie Railway	.....	3,228.3 <sup>o</sup>
Spokey International Railway	142.9	
Coeur d'Alene & Pend d'Oreille Railway	20.7	
		<u>163.6<sup>o</sup></u>
The Duluth, South Shore & Atlantic Railway	549.8	
Mineral Range Railroad	26.4	
		<u>576.2<sup>o</sup></u>
		4,000.2
		<u>21,256.8</u>

<sup>o</sup>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	.....	1,904
First and second class Passenger, Tourist Sleeping, Baggage, Mail and Express Cars*	.....	2,240
First class Sleeping, Parlor and Dining Cars	.....	730
Freight Cars (all kinds)	.....	79,002
Conductors' Vans	.....	1,159
Boarding, Tool and Auxiliary Cars and other Work Equipment	.....	5,346

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

## INLAND STEAMSHIPS

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

Gross Tonnage.....21,748



## HOTELS AT DECEMBER 31, 1938

The 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.	Vancouver.....	Vancouver, B.C.
	Empress.....		Victoria, B.C.

## OCEAN STEAMSHIPS

Beaverbrae	Empress of Asia
Beaverburn	Empress of Australia
Beaverdale	Empress of Britain
Beaverford	Empress of Canada
Beaverhill	Empress of Japan
Duchess of Atholl	Empress of Russia
Duchess of Bedford	Montcalm
Duchess of Richmond	Montclare
Duchess of York	Montrose
Gross Tonnage.....	324,738

## COASTAL STEAMSHIPS

Kyuquot	Princess Louise
Motor Princess	Princess Maquinna
Nanoose	Princess Marguerite
Nootka	Princess Mary
Princess Adelaide	Princess Norah
Princess Alice	Princess Victoria
Princess Charlotte	Qualicum
Princess Elaine	Transfer No. 3
Princess Elizabeth	" 4
Princess Helene	" 7
Princess Joan	" 8
Princess Kathleen	
Gross Tonnage.....	60,278

## TRANSPORTATION AND TRAFFIC STATISTICS

	Year 1938	Year 1937	Increase or Decrease	
			Amount or Number	Per Cent.
Average miles of road operated.....	17,186.0	17,222.7	36.7	.21
<b>TRAIN MILEAGE</b>				
Freight.....	20,445,323	21,155,738	710,415	3.36
Passenger.....	15,943,383	16,017,542	74,159	.46
Motor.....	529,481	520,750	8,731	1.68
Total Transportation Service.....	36,918,187	37,694,030	775,843	2.06
<b>LOCOMOTIVE MILEAGE</b>				
Freight.....	22,493,188	23,387,137	893,949	3.82
Passenger.....	16,479,470	16,597,550	118,080	.71
Switching—Road and Yard.....	8,442,800	8,884,796	441,996	4.97
Total Transportation Service.....	47,415,458	48,869,483	1,454,025	2.98
<b>CAR MILEAGE</b>				
<b>FREIGHT</b>				
Loaded.....	483,200,976	504,326,272	21,125,296	4.19
Empty.....	239,000,728	234,238,847	4,761,881	2.03
Caboose.....	21,452,840	21,908,987	456,147	2.08
Total.....	743,654,544	760,474,106	16,819,562	2.21
<b>PASSENGER</b>				
Coaches.....	38,523,420	39,723,149	1,199,729	3.02
Sleeping, Parlor and Observation.....	37,170,658	38,584,939	1,414,281	3.67
Dining.....	5,737,969	6,042,641	304,672	5.04
Other.....	40,049,741	39,448,388	601,353	1.52
Total.....	121,481,788	123,799,117	2,317,329	1.87
Total Transportation Service.....	865,136,332	884,273,223	19,136,891	2.16
<b>FREIGHT TRAFFIC—RAIL</b>				
Freight revenue.....	\$109,466,275	\$110,348,764	\$882,489	.80
Tons—Revenue freight.....	30,471,115	29,842,861	628,254	2.11
Tons—Non-revenue freight.....	4,410,104	4,773,785	363,681	7.62
Tons—All freight.....	34,881,219	34,616,646	264,573	.76
Ton miles—Revenue freight.....	12,134,948,168	11,602,289,022	532,659,146	4.59
Ton miles—Non-revenue freight.....	1,228,912,716	1,318,806,431	89,893,715	6.82
Ton miles—All freight.....	13,363,860,884	12,921,095,453	442,765,431	3.43
<b>AVERAGES PER MILE OF ROAD</b>				
Freight revenue.....	\$6,370	\$6,407	\$37	.58
Train miles.....	1,190	1,228	38	3.09
Total freight train car miles.....	43,271	44,155	884	2.00
Ton miles—Revenue freight.....	706,095	673,663	32,432	4.81
Ton miles—All freight.....	777,602	750,236	27,366	3.65
<b>AVERAGES PER TRAIN MILE</b>				
Freight revenue.....	\$5.35	\$5.22	\$0.13	2.49
Loaded freight car miles.....	23.63	23.84	.21	.88
Empty freight car miles.....	11.69	11.07	.62	5.60
Total freight train car miles.....	36.37	35.95	.42	1.17
Ton miles—Revenue freight.....	593.53	548.42	45.11	8.23
Ton miles—All freight.....	653.64	610.76	42.88	7.02
<b>AVERAGES PER LOADED CAR MILE</b>				
Freight revenue (cents).....	22.65	21.88	.77	3.52
Ton miles—All freight.....	27.66	25.62	2.04	7.96
<b>MISCELLANEOUS AVERAGES</b>				
Revenue per ton of freight.....	\$3.59	\$3.70	\$0.11	2.97
Revenue per ton mile of freight (cents).....	0.902	0.951	.049	5.15
Miles hauled—Revenue freight.....	398.24	388.78	9.46	2.43
Miles hauled—Non-revenue freight.....	278.66	276.26	2.40	.87
Miles hauled—All freight.....	383.12	373.26	9.86	2.64



## TRANSPORTATION AND TRAFFIC STATISTICS—Continued

	Year 1938	Year 1937	Increase or Decrease	
			Amount or Number	Per Cent.
<b>CLASSIFICATION OF REVENUE TONNAGE CARRIED</b>				
Products of Agriculture	8,637,484	6,455,134	2,182,350	33.81
Animals and Products	659,545	829,654	170,109	20.50
Products of Mines	11,649,699	11,418,391	231,308	2.03
Products of Forests	3,055,753	3,426,401	370,648	10.82
Manufactures and Miscellaneous	5,689,057	6,864,089	1,175,032	17.12
Total carload traffic	29,691,538	28,993,669	697,869	2.41
All less carload freight	779,577	849,192	69,615	8.20
Total Carload and L.C.L. Traffic	30,471,115	29,842,861	628,254	2.11
<b>PASSENGER TRAFFIC—RAIL</b>				
Passenger revenue	\$15,962,375	\$16,463,963	\$501,588	3.05
Passenger service train revenue	\$24,968,024	\$25,808,103	\$840,079	3.26
Revenue passengers carried	7,454,249	7,820,721	366,472	4.69
Revenue passenger miles	761,020,442	826,378,066	65,357,624	7.91
<b>AVERAGES PER MILE OF ROAD</b>				
Passenger revenue	\$929	\$956	\$27	2.82
Passenger service train revenue	\$1,453	\$1,498	\$45	3.00
Train miles	959	960	1	.10
Total passenger train car miles	7,069	7,188	119	1.66
Revenue passenger miles	44,281	47,982	3,701	7.71
<b>AVERAGES PER TRAIN MILE</b>				
Passenger revenue	\$0.97	\$1.00	\$0.03	3.00
Passenger service train revenue	\$1.52	\$1.56	\$0.04	2.56
Total passenger train car miles	7.37	7.49	.12	1.60
Revenue passenger miles	46.20	49.97	3.77	7.54
<b>AVERAGES PER CAR MILE—PASSENGER</b>				
Passenger revenue (cents)	19.60	19.52	.08	.41
Revenue passenger miles	9.35	9.80	.45	4.59
<b>MISCELLANEOUS AVERAGES</b>				
Revenue per passenger	\$2.14	\$2.11	\$0.03	1.42
Revenue per passenger mile (cents)	2.10	1.99	0.11	5.53
Miles carried—Revenue passengers	102.09	105.67	3.58	3.39
<b>TOTAL TRAFFIC—RAIL</b>				
<b>AVERAGES PER MILE OF ROAD</b>				
Train miles—Transportation service	2,148	2,189	41	1.87
Car miles—Transportation service	50,340	51,343	1,003	1.95
Operating revenues	\$8,271	\$8,379	\$108	1.29
Operating expenses	\$6,761	\$6,761	—	—
Net operating revenue	\$1,510	\$1,618	\$108	6.67
<b>AVERAGES PER TRAIN MILE</b>				
Operating revenues	\$3.85	\$3.83	\$0.02	.52
Operating expenses	\$3.15	\$3.09	\$0.06	1.94
Net operating revenue	\$0.70	\$0.74	\$0.04	5.41
<b>TOTAL TRAFFIC—RAIL AND INLAND WATER LINES</b>				
Operating revenues	\$143,198,532	\$145,201,161	\$2,002,629	1.38
Operating expenses	\$117,065,946	\$117,069,541	\$3,595	—
Net operating revenue	\$26,132,586	\$28,131,620	\$1,999,034	7.11
Tax accruals, net of hire of equipment and joint facility rents	\$5,380,120	\$4,389,373	\$990,747	22.57
Net earnings	\$20,752,466	\$23,742,247	\$2,989,781	12.59
Per cent operating expenses to operating revenues	81.75	80.63	1.12	1.39
Payroll charged operating expenses	\$71,770,729	\$70,741,756	\$1,028,973	1.45
Per cent payroll to operating revenues	50.12	48.72	1.40	2.87
Per cent payroll to operating expenses	61.31	60.43	.88	1.46











