

CANADIAN PACIFIC RAILWAY COMPANY

ANNUAL REPORT

FOR THE
YEAR ENDED DECEMBER 31

1937

MONTREAL, MARCH, 1938

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CANADIAN PACIFIC RAILWAY COMPANY

NOTICE TO SHAREHOLDERS

The Fifty-seventh 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 fourth 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, New York and London at 3 p.m. on Tuesday, the twelfth 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 fifth day of May.

By order of the Board,

F. BRAMLEY,
Secretary.

MONTREAL, March 14, 1938.



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.
RT. HON. LORD SHAUGHNESSY, K.C.,	- - - - -	MONTREAL.
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. APPS	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.
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	-- -- -- -- --	W. S. HALL	MOOSE JAW.
GEN. SUPT. MANITOBA DISTRICT	-- -- -- -- --	H. J. MAIN	WINNIPEG.

CHIEF ENGINEER	-- -- -- -- --	J. M. R. FAIRBAIRN	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

NEW YORK TRANSFER AGENTS, Bank of Montreal Trust Company, 64 Wall Street NEW YORK.
MONTREAL TRANSFER AGENTS, The Royal Trust Company - - - - - MONTREAL.

CANADIAN PACIFIC RAILWAY COMPANY

FIFTY-SEVENTH ANNUAL REPORT

OF THE

DIRECTORS OF CANADIAN PACIFIC RAILWAY COMPANY

YEAR ENDED DECEMBER 31, 1937

To the Shareholders:

The accounts of the Company for the year ended December 31, 1937, show the following results—

INCOME ACCOUNT

Gross Earnings		\$ 145,085,557.62
Working Expenses (including taxes)		121,343,310.59
Net Earnings		\$ 23,742,247.03
Other Income (after providing for depreciation of steamships and hotels)		11,629,711.05
Fixed Charges	\$ 24,041,533.89	\$ 35,371,958.08
Interest payable January 1, 1938, to bondholders of the Minneapolis, St. Paul & Sault Ste. Marie Railway Company on bond issues, guaranteed as to interest by your Company, and interest accrued on notes secured by pledge of bonds so guaranteed	1,868,140.15	
		<hr/>
		25,909,674.04
Balance transferred to Profit and Loss Account		\$ 9,462,284.04

NOTE—Particulars of Gross Earnings, Working Expenses and Other Income, including provision for depreciation of steamships and hotels, are shown on page 24.

PROFIT AND LOSS ACCOUNT

Profit and Loss Balance December 31, 1936.....		\$ 138,532,703.39
Dividend of 1 per cent. on the Preference Stock, declared from the earnings of the year 1936, paid April 1, 1937.....		1,372,569.21
		<u>\$ 137,160,134.18</u>
Balance of Income Account for the year ended December 31, 1937... ..		9,462,284.04
		<u>\$ 146,622,418.22</u>
DEDUCT:		
Amount credited investment reserve being equivalent to advances made in January and July, 1937, to Minneapolis, St. Paul & Sault Ste. Marie Railway Company to make up deficiency in amount available to meet interest obligations guaranteed by Canadian Pacific Railway Company.....	\$ 3,849,184.37	
Loss on lines abandoned and on property retired and not replaced.....	2,495,361.76	
Miscellaneous—Net Debit.....	327,084.26	
		<u>6,671,630.39</u>
Profit and Loss Balance December 31, 1937, as per Balance Sheet....		<u><u>\$ 139,950,787.83</u></u>

NOTE—Subsequent to the end of the year, a dividend of 2 per cent. on the Preference Stock, amounting to \$2,745,138.42, was declared from the earnings of the year 1937, payable April 1, 1938.

The balance of Income Account available for transfer to Profit and Loss Account was \$3,433,100 greater in 1937 than in 1936.

RAILWAY EARNINGS AND EXPENSES

The comparative results of railway operations were as follows:

	1937	1936	Increase
Gross Earnings.	\$145,085,558	\$138,562,763	\$6,522,795
Working Expenses (including taxes).	121,343,311	115,251,652	6,091,659
Net Earnings.	\$ 23,742,247	\$ 23,311,111	\$ 431,136

Working expenses, including taxes, amounted to 83.64% of gross earnings in 1937, as compared with 83.18% in 1936, or, excluding taxes, 80.69% as against 80.13%.

Gross earnings for the year increased \$6,522,795 or 4.7%. The increase during the first half of the year was 7.6%, but, owing largely to the crop failure in Saskatchewan, the increase in the last six months was only 2.3%. The decrease for the year in earnings from grain and grain products was \$5,869,000, or more than 26%. At the last annual meeting, to illustrate the severity of the adverse conditions which had prevailed since 1930, figures were given of the grain handlings on the Company's lines in millions of bushels, as follows:

1925.	241	1931.	149
1926.	226	1932.	185
1927.	232	1933.	160
1928.	370	1934.	138
1929.	201	1935.	142
1930.	175	1936.	143
Average 1925-1930.	241	Average 1931-1936.	153

The grain handlings in 1937 suffered a further severe drop to 94 million bushels, constituting only 39% of the 1925-1930 average, and but 61% of even the 1931-1936 average. Not since 1908 has there been a year in which the grain handlings were lower than in 1937, although the acreage sown to grain has more than trebled in the interval. Moreover, the unfavourable crop conditions on the prairies had an adverse effect on the earnings from all other classes of traffic handled to and from that territory.

Passenger earnings increased \$967,693, or 6.2%, the largest increase in one year since the low point was recorded in 1933. All classes of passenger travel contributed.

Freight earnings increased \$4,999,575, or 4.7%, the large reduction in grain traffic being more than offset by continued improvement in traffic from mines, forests, and manufactures. The tonnage handled by principal classifications follows:

	1937	Increase or <i>Decrease</i>	
Products of Agriculture.....	6,455,134	1,438,065	18.2%
Animals and Products.....	829,654	44,271	5.6
Products of Mines.....	11,418,391	1,685,013	17.3
Products of Forests.....	3,426,401	302,422	9.7
Manufactures and Miscellaneous..	6,864,089	1,209,915	21.4
All less carload freight.....	849,192	53,827	6.8
Total.....	29,842,861	1,857,383	6.6%

Working expenses increased \$6,091,659, or 5.3%. Of this increase \$2,243,788 resulted from the progressive restoration of deductions from basic rates of pay of employees. The rate of deduction generally in effect at the beginning of the year was 10% and one-tenth of this was restored on each of the first days of February, April, June, August, October, and December. Effective April 1, the rate of deduction for senior officers was reduced from 15% to 10%; for the Directors and members of the Executive Committee from 20% to 15%; and for the President from 35% to 30%.

Maintenance expenses increased \$2,602,963, or 5.5%. Notwithstanding higher wage rates, the cost of maintaining way and structures decreased \$670,765. This was due in part to smaller expenditure for removal of snow and ice and in part to the fact that the expenses in 1936 included \$1,605,000, the Company's proportion of the cost of providing work at the request of the Dominion Government for 5,000 unemployed men transferred from relief camps which were being closed. Maintenance of equipment expenses increased \$3,273,728, of which \$1,302,000 represented increased charges for the retirement of rolling stock. Repairs were heavier owing to the increase in traffic, and costs were augmented by a substantial rise in material prices and by the higher wage rates. During the year 141 passenger cars (12 more than in 1936) were air-conditioned, involving heavy expenditures, chargeable partly to capital and partly to maintenance.

Transportation expenses increased \$2,689,357, or 5.4%. The ratio of transportation expenses to gross earnings in 1937 was 36.2%, as compared with 36.0% in 1936, this increase being more than accounted for by the partial restoration of wage deductions. While the average freight train loading decreased slightly from

1,557 tons in 1936 to 1,544 tons in 1937, the average speed of trains was greater, and gross ton miles per train hour increased from 25,370 to 25,745 tons. Average fuel consumption for freight trains was reduced from 108 pounds per 1,000 gross ton miles in 1936 to 106 pounds in 1937.

Other working expenses increased \$799,339, principally owing to larger pension disbursements, heavier taxes, and higher wage rates.

OTHER INCOME

Other income, after provision for depreciation of steamships and hotels, increased \$4,998,340.

Dividend income increased \$2,633,669, due mainly to additional dividends amounting to \$2,523,750, received from The Consolidated Mining and Smelting Company of Canada, Limited, which, by reason of much higher prices for lead and zinc enjoyed a prosperous year.

Net income from interest, exchange, separately operated properties and miscellaneous increased \$381,737.

Net earnings from ocean and coastal steamships, after deducting \$3,894,469 credited to depreciation reserve, were \$2,458,832, an improvement of \$2,472,895. The volume of passenger and freight traffic increased substantially on both Atlantic and Pacific Oceans. Passenger earnings from regular voyages showed an improvement in all classes, and the more settled conditions in the Mediterranean permitted the Company to secure a much larger number of passengers for the world cruise of the "Empress of Britain." While cost of supplies, of shore labour and of repair work was somewhat higher, a large part of the increased gross earnings was carried into net earnings. During the year your vessels completed 201 voyages, in the course of which they steamed 1,418,660 miles and made 1,320 calls at 96 different ports.

Net earnings from hotel, communication and miscellaneous properties decreased \$489,962. Net earnings from hotel operations, before depreciation, increased \$46,608 but pursuant to the policy of providing for obsolescence of hotels outlined in last year's report an amount of \$1,257,598, being an increase of \$637,504, was appropriated for hotel depreciation. Net earnings from communications increased \$150,465.

FIXED CHARGES AND GUARANTEED INTEREST

Fixed charges increased \$128,236, which was more than accounted for by an increase in interest on equipment obligations due to the acquisition of additional modern rolling stock.

As a result of the filing on December 31, last, by the Minneapolis, St. Paul & Sault Ste. Marie Railway Company (Soo Line) of a petition for reorganization under Section 77 of the Bankruptcy Act of the United States, certain bond interest guaranteed by your Company and payable January 1, 1938, became a direct liability. The amount of such interest, together with the interest on Soo Line notes secured by bonds guaranteed as to interest by your Company, was deducted from Income Account.

PROFIT AND LOSS ACCOUNT

An amount of \$3,849,184, being equivalent to the advances made to the Soo Line in January and July to make up the deficiency in the amount available to meet its interest obligations, guaranteed by your Company, was charged to Profit and Loss Account and credited to investment reserve.

The necessary adjustments in the property investment account were made for all property retired during the year. Charges aggregating \$2,495,362 for property retired and not replaced were made against Profit and Loss Account. The largest item was a charge of \$1,433,109 resulting from the decision to pick up the track and abandon the line between Lindsay and Orillia in the Province of Ontario (41.3 miles), the service on which had, in the interest of economy, been discontinued in December, 1932. Under a co-operative arrangement, in the event of the Company desiring to re-establish a through route over the territory in question, it will be granted joint operating rights over the parallel Canadian National Railways line upon equitable terms.

DIVIDENDS

After taking into consideration the disappointing result of the operations during the latter part of the year, the large disbursements which the Company will have to make during the first half of the current year as a result of its interest guarantee on obligations of the Soo Line, and the general uncertainty as to the prospects for 1938, your Directors decided to declare a dividend of two per cent. on the Preference Stock from the earnings of 1937, payable April 1, 1938.

LAND ACCOUNTS

During the year 129,751 acres of agricultural lands were sold at an aggregate price of \$1,330,149, an average of \$10.25 per acre, including 6,180 acres of irrigated land at an average of \$50.57 per acre and the remainder at an average of \$8.23 per acre.

Both sales and collections were somewhat better than in 1936. For the first time since 1929 the cash receipts from lands, including

interest on deferred payments, exceeded land expenditures including taxes, irrigation, immigration and colonization, and interest on note certificates. In view of the adverse crop conditions, the Company continued the policy of making concessions to farm contract holders in Western Canada. Interest rebated during the year amounted to \$960,360 and adjustment of principal and further interest concessions for cash payments amounted to \$966,556, bringing the aggregate concessions to contract holders for the period 1932-1937, inclusive, to \$11,477,082. Proof of the soundness of the policy followed by the Company in the early adoption of voluntary concessions to farm contract holders is found in the satisfactory public relations created and in the fact that, notwithstanding the subsequent legislation for farm relief enacted by the Dominion and Provincial Governments, your contract holders have continued to meet their obligations as voluntarily adjusted without taking advantage of the moratoria available to them.

A further reduction was made in the unit prices at which certain unsold lands were valued, involving a charge against land surplus of \$1,878,800, which is included as part of the item "net adjustment of land inventory." As in the opinion of your officers the unit prices of the remaining lands have now been reduced to a level in keeping with even the current low values, it is considered that, unless unforeseen circumstances arise, the policy inaugurated in 1926 of gradually reducing such unit prices might be discontinued. The reduction in the appraised values of lands resulting from this policy has aggregated approximately \$37,780,000.

PENSIONS

The contributory pension plan, which became effective January 1, 1937, has been very favourably received by the employees, and at the end of the year approximately 93% of those eligible had elected to contribute.

The total contributions of officers and employees to the Trust Fund during the year amounted to \$1,772,110. In accordance with the Pension Rules, these moneys are being invested from time to time in Dominion Government securities or securities guaranteed by the Dominion Government. As was anticipated in respect of the early years of operation, payments on account of pensions from the Trust Fund were negligible.

The Company's pension disbursements totalled \$2,374,209 and were included in working expenses.

Under the United States Railroad Retirement Act of 1937 and the Carriers Taxing Act of 1937 provision was made for a government system of pensions for those engaged in railway service in that

country and the levying of taxes on the carriers and their employees to support the same. In order to correlate the Company's pension plan with this legislation, an agreement was entered into between the Company and its General Chairmen of Employees' Committees providing for the adjustment of contributions by and pensions to those employees of the Company whose services are rendered partly in the United States and partly in Canada. Under the legislation referred to, the pensions of 96 pensioners were assumed by the United States Railroad Retirement Board.

During the year 540 employees were pensioned. After allowing for deductions owing to death and the transfer of pensioners referred to in the previous paragraph, the total number on the pension roll at the close of the year showed an increase of 190 over the number at December 31, 1936. The distribution by ages was as follows:

Under 60 years of age.....	119
From 60 to 64 years of age inclusive.....	270
From 65 to 70 years of age inclusive.....	1,456
Over 70 years of age.....	1,290
	3,135

CAPITAL EXPENDITURES

In anticipation of your confirmation, your Directors authorized capital appropriations, in addition to those approved at the last annual meeting, aggregating for the year 1937 \$1,613,903. Your approval will be requested for capital appropriations during the present year of \$21,259,906. Particulars of the principal items are:

Replacement and enlargement of structures in permanent form.....	\$ 97,204
Additions and betterments to stations, freight sheds, coaling and watering facilities and engine houses....	234,433
Ties, tie plates, rail anchors and miscellaneous roadway betterments.....	2,006,122
Replacement of rail in main and branch line tracks with heavier section.....	603,826
Rock ballasting.....	493,045
Additions and betterments to shop machinery.....	344,973
Additional terminal and side track accommodation.....	145,558
New rolling stock.....	15,262,170
Additions and betterments to rolling stock.....	989,995
Additions and betterments to hotels.....	224,697
Additions and betterments to communication facilities.	324,468

The appropriations for new rolling stock provide for the purchase of 35 locomotives and 2,750 freight cars and for the construction of 50 refrigerator cars at Angus Shops. These acquisitions are in continuation of the policy of acquiring new units at relatively favourable prices in replacement of units which have been retired during recent years. The amount of the appropriations represents the gross expenditure; the actual charge to Property Investment will be reduced by credits for retirement of rolling stock which, it is estimated, will exceed \$7,000,000. The appropriations for additions and betterments to rolling stock include the usual betterments for freight cars and motive power to increase operating efficiency and the capital proportion of the cost of air-conditioning 90 passenger cars (almost one-half of which will be first class coaches) to meet the public demand for this type of equipment.

GREAT LAKES SERVICE

For some years the Company participated in a rail, lake and rail freight service connecting points in Eastern Canada and New England with Chicago and Milwaukee, via Windsor, Ontario, in which the portion of the haul between Windsor and Chicago was performed by an independent steamship line. In the spring of 1937 the connecting lake line announced the discontinuance of its Lake Michigan service, and the Company, in order to maintain its participation in this important traffic between the East and the Middle and Western United States, applied to the Interstate Commerce Commission for permission to establish a service with its own vessels between Port McNicoll, on Georgian Bay, and Milwaukee and Chicago. The Commission in a decision issued on October 4, 1937, authorized the Company to operate the service, but it was not then possible to commence operations before the close of the season. The new service will be commenced at the opening of navigation, will be performed with existing steamers of the Company, and will be designated as the "Canadian Pacific Great Lakes Line."

CANADIAN AUSTRALASIAN LINE

As you were informed, in order to promote and share in steamship communications between Canada, Fiji, Australia, and New Zealand, the Company in 1931 acquired a half interest in the Canadian Australasian Line, Limited, a company incorporated in Canada with its principal office at Vancouver. Owing to the development of heavily subsidized foreign competition, the maintenance of this Empire link has of late years given rise to much anxiety. Apart from a relatively short period in 1936 and 1937 when United States Pacific ports were crippled by labour troubles, the operation of this

service has entailed financial contributions from the parent companies. The results of an exhaustive investigation conducted by the Imperial Shipping Committee in 1936 at the request of the Governments of the United Kingdom, Canada, Australia, and New Zealand were reviewed at the Imperial Conference held in London in 1937, and progress was made towards general acceptance of the view that, if a British Service is to be preserved, it will be essential to have two ships not inferior in either speed or equipment to the subsidized tonnage of other countries with which they are to compete, and that to acquire and operate them government financial assistance would be necessary. A precipitate rise in shipbuilding costs, brought about by the national defence program in Great Britain, has occurred since representations were originally made to the interested governments. The matter is still under their consideration and it is anticipated that a satisfactory agreement for the preservation of this important service will ultimately be reached.

LONDON HOTEL SITE

The negotiations in regard to the lease of the Berkeley Square site, referred to in the last annual report, have been satisfactorily concluded. The buildings have been demolished, and the lessees have commenced construction of an office building in keeping with the character of this property in the West End of London. In order to enable the transaction to be completed, the leasehold interests in three additional lots have been extinguished. The site has been leased for a period of two hundred years from June 24, 1937, at an increasing rental, reaching a maximum payable in the eighth year and thereafter, which will give the Company a satisfactory return on the capital invested. The lessees are granted the option, on giving six months' notice prior to June 24, 1941, to purchase the freehold at a price that will return to the Company a sum in excess of the amount paid for the property.

FINANCE

There was issued and sold during the year £827,400 Perpetual 4% Consolidated Debenture Stock, the proceeds of which were used to redeem £750,000 Algoma Branch 5% First Mortgage Bonds of the Company, which matured July 1, 1937.

On February 1, 1937, the Company entered into an Equipment Trust Agreement with The Royal Trust Company as Trustee, under which \$16,080,000 Equipment Trust Certificates were issued, guaranteed as to principal and interest by the Company. This issue, designated as Series "D," maturing in equal semi-annual instalments from August 1, 1937, to February 1, 1952, inclusive, is payable as to

one-half of the principal amount in lawful money of Canada, bearing interest at three per cent. per annum, and as to the other one-half in currency of the United States of America, bearing interest at two and one-half per cent. per annum. Under this agreement new equipment costing \$16,080,943.50 was purchased by the Trustee and leased to the Company. The certificates were further secured by the pledge of \$4,020,000 Consolidated Debenture Stock, a proportionate amount of such Stock being returnable to the Company on payment of each instalment.

The balance of the rolling stock under the Hire-Purchase Agreement with the Dominion Government, referred to in previous annual reports, was delivered towards the close of the year, and the formal agreement has been executed. The principal amount owing to the Government under this Agreement is \$5,730,000, repayable in equal annual instalments from 1938 to 1950, inclusive. The interest rate was finally set at three per cent. per annum and accrues from May 11, 1938.

During the year equipment obligations to the amount of \$2,486,000 were redeemed by the Company and Consolidated Debenture Stock to the amount of \$134,000 pledged under Series "D" was released and cancelled. An amount of \$2,316,000 was deposited with the Trustee of the Equipment Trust, maturing July 1, 1944, and of that amount \$1,877,869 was expended by the Trustee under the terms of the Trust Agreement in the purchase of new equipment to be leased to the Company. 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 \$306,000 were purchased by the Trustee and cancelled.

Your guarantee of principal and interest was endorsed on 4% First Mortgage Redeemable Debenture Stock of the Atlantic and North-West Railway Company to the amount of £1,300,000, maturing January 1, 1957, the proceeds of the issue being used by that Company to redeem its 5% First Mortgage Bonds to the same amount which matured January 1, 1937.

For the purpose of defraying in part the capital cost of extensions and improvements of the property of the Company heretofore made and to be made, of refunding maturing obligations, and providing generally for the capital and other requirements of the Company, your Directors recommend that they be given your authority to issue Consolidated Debenture Stock, not exceeding in the aggregate the amount which the Company is by law empowered to issue, and

to sell or pledge the same or any part thereof as circumstances and market conditions may warrant.

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

The comparative railway results of this carrier were as follows:

	1937	1936	Increase
Gross Earnings.....	\$14,426,636	\$13,645,077	\$781,559
Working Expenses (including taxes).....	13,658,075	13,249,153	408,922
Net Earnings.....	\$ 768,561	\$ 395,924	\$ 372,637

The moderate improvement in gross and net earnings during 1937 was primarily due to a larger grain crop than the unprecedentedly small crop of 1936. Your Directors, anticipating some improvement in such earnings, decided that it was in the interest of your Company to continue during 1937 the policy of advancing to the Soo Line the moneys necessary to make up the deficiency in the amount which the latter had available to meet interest obligations guaranteed by your Company. In January and July an aggregate of \$3,849,184 was advanced for this purpose. In the early part of July the grain crops gave promise of returning to normal levels, but, as a result of heat and drought towards the close of the growing season, the actual yield was substantially lower than anticipated. In consequence, the Soo Line, in order to meet its obligations, would in January, 1938, have required advances from your Company in excess of the amount of the interest guaranteed by it, and your Directors decided that such advances would not be justified. In view of this decision, the Directors of the Soo Line authorized the filing of a petition in the Federal Court, pursuant to Section 77 of the Bankruptcy Act of the United States, stating that it was unable to meet its debts as they matured and that it desired to effect a plan of reorganization. By Court order, entered on December 31, 1937, the petition was approved as being properly filed, and the Debtor Company was authorized and directed, until the appointment of a Trustee or Trustees, to continue in possession of its railroad and properties, subject to the control of the Court. Final action in regard to the appointment of Trustees may be expected in the near future.

At December 31, 1937, there were outstanding Soo Line secured notes to the amount of \$6,162,245.50 payable to the Reconstruction Finance Corporation, \$5,000,000 maturing February 1, 1938, and the balance being past due, and secured notes, also past due, to the

amount of \$572,851.15, originally given to the Railroad Credit Corporation. These notes aggregating \$6,735,096.65 are secured in part by \$6,250,000 of Soo Line 5½% First Refunding Mortgage Bonds, maturing 1978. There were also outstanding Soo Line secured notes to the amount of \$5,000,000, maturing February 1, 1938, held mainly by institutions and secured by \$6,250,000 of Soo Line Bonds of the issue just referred to. The pledged bonds bear your Company's guarantee as to interest, and your Directors deemed it advisable that the notes for which they were pledged should be acquired by your Company. Accordingly, negotiations were undertaken which have resulted in the acquisition of all the first mentioned notes and of \$4,970,500 of the notes secondly mentioned. The purchase price was paid, \$1,744,602.68 in cash and the balance in your Company's Serial 4% Secured Notes, dated January 28, 1938, aggregating \$9,935,000, maturing as to 6½% thereof on February 1 in each of the years 1939 to 1943, inclusive, and as to 13½% thereof on the same date in each of the years 1944 to 1948, inclusive. At the option of your Company, the principal of its notes may be repaid, in whole or in part, at any time before maturity. These notes provide for the deposit as collateral security of your Company's Consolidated Debenture Stock to an amount which, calculated at the market value thereof less 10%, would be at least equal to the unpaid principal amount of such notes, and for the withdrawal of proportionate amounts of such stock as the notes are retired. Upon completion of the transaction, the amount of stock so deposited was \$13,422,500. You will be asked to approve a resolution confirming, among other things, the issue and pledge of such stock. Whereas the annual amount which would be payable by your Company under its guarantee of interest on the pledged Soo Line bonds maturing in 1978 would have been \$687,500, the annual interest on the total purchase price of the acquired Soo Line notes will be only approximately \$468,000, which will be further reduced by income currently received from certain other valuable collateral pledged to such notes.

The Soo Line First Consolidated Mortgage Bonds will mature on July 1, next, and your Company is advised that its guarantee of interest in respect of that issue, amounting to \$2,681,320 annually, will terminate on the payment of the instalment due on that date. Its guarantees of Soo Line securities then remaining outstanding (other than on the \$12,500,000 bonds pledged as collateral to the notes acquired by your Company as referred to in the previous paragraph) will be limited to interest at 4% per annum on \$3,500,000 Second Mortgage Bonds maturing 1949 and interest at

5½% per annum on \$12,106,000 First Refunding Mortgage Bonds Series "B" maturing 1978, a maximum annual charge of \$805,830.

SPOKANE INTERNATIONAL RAILWAY COMPANY

The comparative railway results of this carrier were as follows:

	1937	1936	Increase
Gross Earnings.....	\$ 783,152	\$ 724,950	\$ 58,202
Working Expenses (including taxes).....	673,680	621,080	52,600
Net Earnings.....	\$ 109,472	\$ 103,870	\$ 5,602

In the re-organization proceedings initiated in 1933 under Section 77 of the Bankruptcy Act of the United States, a report was made in June last by the Bureau of Finance of the Interstate Commerce Commission embodying a proposed plan of re-organization of the Spokane International Railway Company and its leased subsidiary the Coeur d'Alene & Pend d'Oreille Railway Company. Objections to this plan were urged by groups of bondholders, and the matter was fully argued before the Interstate Commerce Commission in November. No decision has yet been given.

THE DULUTH, SOUTH SHORE & ATLANTIC RAILWAY COMPANY

The comparative railway results of this carrier were as follows:

	1937	1936	Increase or Decrease
Gross Earnings.....	\$2,726,999	\$2,799,729	\$ 72,730
Working Expenses (including taxes).....	2,263,489	2,162,535	100,954
Net Earnings.....	\$ 463,510	\$ 637,194	\$173,684

While some progress has been made in the re-organization proceedings referred to in the last annual report, they have not reached the stage where a definite plan could be filed. The time limit for this purpose has been extended until May 31, 1938.

The Trustees have recommended and filed with the Court a formula for the allocation of revenues and expenses as between the parts of this system covered by the different mortgages. This is one of the important steps in the re-organization proceedings.

At their maturity on January 1, 1937, your Company acquired \$1,069,000 of the bonds of the Marquette, Houghton & Ontonagon Railway Company, giving it control of practically the whole of this issue. The mortgage securing these bonds is a first lien on the pro-

perty of the Marquette, Houghton & Ontonagon Railway Company, which is the most valuable portion of the South Shore system. In addition to the value of these bonds as an investment, their acquisition by this Company will tend to facilitate the adoption of a plan of re-organization.

LEASES AND AGREEMENTS

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

1. Agreement dated September 13, 1937, between the St. Johnsbury and Lake Champlain Railroad Company, the Maine Central Railroad Company and your Company incorporating revised terms for the use of the St. Johnsbury and Lake Champlain Railroad Company's and your Company's lands and facilities at St. Johnsbury in the State of Vermont, the said agreement distributing the interest on the valuation of such lands and facilities and the expense of maintenance and operation thereof on the basis of use by the three companies.

2. Agreement dated January 15, 1938, between the Canadian National Railway Company and your Company whereby your Company is to abandon the operation of its line between Linwood and Listowel in the Province of Ontario, and to discontinue its communications and express businesses at Listowel and in the territory between Linwood and Listowel, conveying to the Canadian National Railway Company certain of its lands and facilities in Listowel, the said agreement being on terms and conditions whereby the burden and advantage to both parties resulting therefrom shall be equitably distributed between them.

3. Agreement dated January 15, 1938, between the Canadian National Railway Company and your Company whereby the Canadian National Railway Company is to abandon the operation of its line between Middleton Junction and Bridgetown in the Province of Nova Scotia, conveying to your Company certain of its lands and facilities in Bridgetown, the said agreement being on terms and conditions whereby the burden and advantage to both parties resulting therefrom shall be equitably distributed between them.

4. Lease of the railway and undertaking of the Winnipeg River Railway Company, extending from Lac du Bonnet to Great Falls, in the Province of Manitoba, a distance of approximately 13.4 miles, for a period of ten years from June 1, 1938, at an annual rental of one dollar, which railway has been operated by your Company since

June 1, 1935, under an agreement which expires June 1, 1938. An application has been made by your Company to the Parliament of the Dominion of Canada for the necessary statutory authority to enter into this lease.

CO-OPERATION WITH CANADIAN NATIONAL RAILWAYS

Co-operative studies continued throughout the year under the provisions of the Canadian National-Canadian Pacific Act, 1933, but no additional co-operative projects were made effective. At the end of the year the total estimated annual economy from arrangements in effect remained at approximately \$1,135,000, one-half of which accrues to each Company. During the year the Joint Executive Committee approved and authorized the completion of formal agreements covering certain additional projects, estimated to yield savings of approximately \$94,000 per annum, bringing the total estimated annual savings from such approved projects not yet in effect to approximately \$621,000, one-half of which will accrue to each Company when these projects become effective. The total saving from co-operative arrangements in effect and in prospect at the end of the year was \$1,756,000, as compared with \$1,662,000 at the end of the previous year.

STOCK HOLDINGS

The holdings of the Capital Stocks of the Company in December, 1937, 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	26,044	16.08	148	.56	11.48
United Kingdom and other British	19,733	54.89	26,051	95.09	66.80
United States	15,890	22.22	44	.26	15.71
Other Countries	4,002	6.81	600	4.09	6.01
	<hr/>		<hr/>		
	65,669		26,843		

CHANGES IN DIRECTORATE

In February the Directors received, with regret, the resignation of Mr. John W. McConnell, who joined the Board early last year. Mr. Arthur B. Purvis was appointed a Director of the Company succeeding Mr. McConnell.

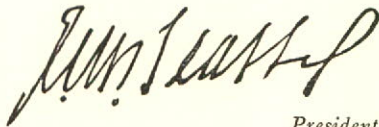
RETIRING DIRECTORS

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

SIR CHARLES GORDON, G.B.E.,
RT. HON. REGINALD MCKENNA,
MR. ROSS H. MCMASTER,
MR. JAMES A. RICHARDSON,
MR. MORRIS W. WILSON.

Your Directors desire again to acknowledge their grateful appreciation of the efficiency and loyalty displayed by the officers and employees of the Company in relation to all matters affecting its interests.

For the Directors,

A handwritten signature in cursive script, appearing to read "J. M. Leach".

President.

MONTREAL, March 14, 1938.

GENERAL BALANCE SHEET
AND
SCHEDULES

CANADIAN PACIFIC
GENERAL BALANCE

ASSETS

PROPERTY INVESTMENT:

Railway, Rolling Stock, Inland Steamships, Hotel, Communication and Miscellaneous Properties..	\$ 791,499,758.41	
Improvements on Leased Railway Property.....	95,702,731.91	
Ocean and Coastal Steamships.....	104,720,644.49	
Stocks, Bonds and Other Securities of Leased, Controlled and Jointly Controlled Railway Companies and Wholly Owned Companies— Cost.....	197,959,694.64	
	\$ 1,189,882,829.45	

OTHER INVESTMENTS:

Miscellaneous Investments—Cost.....	\$ 26,991,206.52	
Advances to Controlled and Other Companies— Net.....	28,034,554.42	
Mortgages Collectible and Loans & Advances to Settlers.....	3,564,628.92	
Insurance Fund Investments.....	8,257,688.35	
Deferred Payments on Lands and Townsites....	37,366,989.34	
Unsold Lands and Other Properties.....	28,969,370.90	
	133,184,438.45	

CURRENT ASSETS:

Material and Supplies.....	\$ 17,786,856.92	
Agents' and Conductors' Balances.....	5,522,113.59	
Net Traffic Balances.....	411,685.00	
Miscellaneous Accounts Receivable.....	5,705,505.43	
Cash.....	25,226,283.59	
	54,652,444.53	

UNADJUSTED DEBITS:

Insurance Prepaid.....	\$ 111,815.78	
Unamortized Discount on Bonds.....	3,206,496.90	
Other Unadjusted Debits.....	1,024,032.90	
	4,342,345.58	

\$ 1,382,062,058.01

RAILWAY COMPANY

SHEET, DECEMBER 31, 1937

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. \$ 486,924,228.74

LESS: Pledged as collateral to bonds and equipment obligations.....	191,486,000.00	
		295,438,228.74

BONDS AND EQUIPMENT OBLIGATIONS..... \$ 204,554,000.00

LESS: Securities and cash deposited with Trustee of 5% Equipment Trust.....	9,721,857.24	
		194,832,142.76

TWENTY YEAR 4½% SINKING FUND SECURED NOTE CERTIFICATES (1944)..... \$ 30,000,000.00

LESS: Purchased by Trustee and cancelled.....	10,091,100.00	
		19,908,900.00

CURRENT LIABILITIES:

Audited Vouchers.....	\$ 5,051,168.93	
Pay Rolls.....	3,003,610.98	
Miscellaneous Accounts Payable.....	2,301,069.90	
Accrued Fixed Charges and Guaranteed Interest.....	3,942,601.29	
		14,298,451.10

DEFERRED LIABILITIES:

Dominion Government Unemployment Relief... \$	4,060,982.71	
Miscellaneous.....	401,757.52	
		4,462,740.23

RESERVES AND UNADJUSTED CREDITS:

Rolling Stock Reserve.....	\$ 8,261,411.08	
Hotel Depreciation Reserve.....	4,196,979.42	
Steamship Depreciation Reserve.....	43,977,790.22	
Insurance Reserve.....	8,257,688.35	
Contingent Reserves.....	7,462,266.57	
Investment Reserve.....	23,508,829.69	
Unadjusted Credits.....	4,268,253.86	
		99,933,219.19

PREMIUM RECEIVED ON CAPITAL AND DEBENTURE STOCK (Less discount on bonds and notes written off at date of issue).....

66,457,375.31

LAND SURPLUS.....

74,523,291.73

PROFIT AND LOSS BALANCE.....

139,950,787.83

 \$ 1,382,062,058.01

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, 1937, and having compared the above Balance Sheet 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.

Montreal, March 11, 1938.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

GROSS EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1937

Freight	\$ 111,044,598.34
Passenger	16,633,040.35
Mail	3,599,676.04
Express	3,142,496.45
Sleeping, Parlor and Dining Car and Miscellaneous	10,665,746.44
Total	<u>\$ 145,085,557.62</u>

WORKING EXPENSES FOR THE YEAR ENDED DECEMBER 31, 1937

Maintenance of Way and Structures	\$ 20,798,482.90
Maintenance of Equipment	28,885,921.44
Traffic	7,204,863.80
Transportation	52,536,171.01
Miscellaneous Operations	2,204,945.01
General	5,624,690.71
Transportation for Investment—Cr.	185,533.88
Railway Tax Accruals	4,273,769.60
Total	<u>\$ 121,343,310.59</u>

OTHER INCOME FOR THE YEAR ENDED DECEMBER 31, 1937

Dividends	\$ 6,534,856.35
Net income from interest, exchange, separately operated properties and miscellaneous	1,669,335.67
Net earnings from ocean and coastal steamships after provision of \$3,894,469.21 for depreciation	2,458,831.81
Net earnings from hotel, communication and miscellaneous properties after provision of \$1,257,597.88 for depreciation of hotels	966,687.22
Total	<u>\$ 11,629,711.05</u>

FIXED CHARGES FOR THE YEAR ENDED DECEMBER 31, 1937

RENT FOR LEASED ROADS:

Alberta Railway & Irrigation Company.....	\$ 1,596.00	
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.....	53,273.07	
Glengarry & Stormont Railway.....	41,250.00	
Guelph Junction Railway.....	27,611.95	
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.....	1,116.27	
Tobique Railway.....	9,465.68	
Toronto, Hamilton & Buffalo Railway.....	8,717.42	
	<hr/>	\$ 3,512,804.05

INTEREST ON FUNDED DEBT:

Equipment Obligations.....	\$ 1,936,747.31	
Algoma Branch 5% 1st Mortgage Bonds.....	91,250.00	
Perpetual 4% Consolidated Debenture Stock.....	11,736,995.56	
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.....	123,750.00	
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	
	<hr/>	20,018,742.87

INTEREST ON UNFUNDED DEBT..... 69,058.89

AMORTIZATION OF DISCOUNT ON FUNDED DEBT..... 440,928.08

\$ 24,041,533.89

CHANGES IN PROPERTY INVESTMENT
YEAR ENDED DECEMBER 31, 1937

RAILWAY, ROLLING STOCK, INLAND STEAMSHIPS, HOTEL, COMMUNICATION AND MISCELLANEOUS PROPERTIES:	
Balance at December 31, 1936.....	\$ 774,271,263.86
Additions and Betterments (less retirements):	
Railway.....	\$ 1,993,955.77
Rolling Stock.....	14,410,587.03
Hotel, Communication and Miscellaneous Properties.....	823,951.75
	17,228,494.55
Total December 31, 1937, as per Balance Sheet.....	\$ 791,499,758.41
IMPROVEMENTS ON LEASED RAILWAY PROPERTY:	
Balance at December 31, 1936.....	\$ 96,098,217.26
Additions and Betterments (less retirements):	
Railway.....	Cr. \$ 605,388.46
Rolling Stock.....	209,903.11
	Cr. 395,485.35
Total December 31, 1937, as per Balance Sheet.....	95,702,731.91
OCEAN AND COASTAL STEAMSHIPS:	
Balance at December 31, 1936.....	\$ 104,614,834.58
Additions and Betterments:	
Ocean.....	\$ 94,313.49
Coastal.....	11,496.42
	105,809.91
Total December 31, 1937, as per Balance Sheet.....	104,720,644.49
STOCKS, BONDS AND OTHER SECURITIES OF LEASED, CONTROLLED AND JOINTLY CONTROLLED RAILWAY COMPANIES AND WHOLLY OWNED COMPANIES:	
Balance at December 31, 1936.....	\$ 198,279,296.26
ACQUIRED:	
Kingston & Pembroke Railway Company— 50 Shares Common Stock.....	\$ 10.00
Manitoba South Western Colonization Railway Company— \$1,000.00 1st Mortgage Bonds.....	1,000.00
Marquette, Houghton & Ontonagon Rail- road Company— \$1,069,000.00 Mortgage Bonds.....	1,047,389.38
Quebec Central Transportation Company— 70 Shares Capital Stock.....	7,000.00
	\$ 1,055,399.38
LESS:	
Lacombe & North Western Railway Company— \$1,000,000.00 Mortgage Bonds redeemed.....	\$1,000,000.00
Midland Railroad Company —100 Shares Capital Stock cancelled.....	1.00
Seigniori Club Community Association, Limited— \$375,000.00 1st Mortgage Income Bonds redeemed	375,000.00
	1,375,001.00
	Cr. 319,601.62
Total December 31, 1937, as per Balance Sheet.....	197,959,694.64
PROPERTY INVESTMENT December 31, 1937, as per Balance Sheet.....	\$ 1,189,882,829.45

STOCKS, BONDS AND OTHER SECURITIES OF LEASED, CONTROLLED AND
JOINTLY CONTROLLED RAILWAY COMPANIES AND WHOLLY
OWNED COMPANIES AT DECEMBER 31, 1937

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.....		3,223,400.00
ALGOMA EASTERN RAILWAY COMPANY		
† Preferred Stock.....		1,000,000.00
† Common Stock.....		2,000,000.00
AROOSTOOK 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

Carried forward

\$ 77,827,187.60

LEASED RAILWAY COMPANIES— <i>Continued</i>		Par Value or Principal Amount
<i>Brought forward</i>		\$ 77,827,187.60
KETTLE VALLEY RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 15,210,000.00
†	2nd Mortgage Bonds.....	4% 1,507,000.00
†	Capital Stock.....	375,000.00
KINGSTON & PEMBROKE RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 1,075,000.00
	1st Preferred Stock.....	995,450.00
	2nd Preferred Stock.....	134,900.00
	Common Stock.....	2,040,900.00
KOOTENAY & ARROWHEAD RAILWAY COMPANY		
†	1st Mortgage Bonds.....	5% 780,000.00
†	Capital Stock.....	250,000.00
KOOTENAY CENTRAL RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 5,340,000.00
†	Capital Stock.....	250,000.00
LACOMBE & NORTH WESTERN RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 2,300,000.00
†	Capital Stock.....	500,000.00
LAKE ERIE & NORTHERN RAILWAY COMPANY		
†	Consolidated Mortgage Bonds.....	4% 2,317,500.00
	Capital Stock.....	1,396,225.00
LINDSAY, BOBCAYGEON & PONTYPOOL RAILWAY COMPANY		
†	Capital Stock.....	200,000.00
MANITOBA & NORTH WESTERN RAILWAY COMPANY		
†	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
MANITOBA SOUTH WESTERN COLONIZATION RAILWAY Co.		
†	1st Mortgage Bonds.....	5% 2,612,000.00
†	Capital Stock.....	700,000.00
MIDLAND-SIMCOE RAILWAY COMPANY		
†	Capital Stock.....	250,000.00
MONTREAL & ATLANTIC RAILWAY COMPANY		
†	Mortgage Bonds.....	5% 2,165,000.00
	Capital Stock.....	2,480,000.00
MONTREAL & OTTAWA RAILWAY COMPANY		
†	1st Mortgage Bonds.....	5% 1,636,250.00
	Capital Stock.....	197,000.00
NAKUSP & SLOCAN RAILWAY COMPANY		
†	Mortgage Bonds.....	5% 1,211,750.00
†	Capital Stock.....	300,000.00
NEW BRUNSWICK SOUTHERN RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 500,000.00
†	Capital Stock.....	49,000.00
NICOLA, KAMLOOPS & SIMILKAMEEN COAL & RAILWAY Co.		
†	Mortgage Bonds.....	4% 1,175,000.00
†	Capital Stock.....	250,000.00
NORTHERN COLONIZATION RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 1,118,000.00
†	Capital Stock.....	300,000.00
ONTARIO & QUEBEC RAILWAY COMPANY		
	Common Stock.....	5,000.00
ORFORD MOUNTAIN RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 702,000.00
†	Capital Stock.....	501,000.00
OTTAWA, NORTHERN & WESTERN RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 3,075,000.00
†	Capital Stock.....	804,000.00
ST. LAWRENCE & OTTAWA RAILWAY COMPANY		
	Preference Stock.....	466,000.00
ST. MARY'S & WESTERN ONTARIO RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 356,500.00
†	Capital Stock.....	250,000.00
<i>Carried forward</i>		\$ 155,228,576.23

LEASED RAILWAY COMPANIES—Continued

 Par Value or
Principal Amount
\$ 155,228,576.23

		<i>Brought forward</i>	
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.....	\$ 134,062,398.93	Total	<u>\$ 163,096,616.23</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	
† 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%	1,069,000.00	
† 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.....	\$ 33,967,662.42	Total	<u>\$ 59,943,975.00</u>

JOINTLY CONTROLLED RAILWAY COMPANIES

NORTHERN ALBERTA RAILWAYS COMPANY			
† 1st Mortgage Bonds.....	5%	\$ 7,235,000.00	
† Capital Stock.....		312,500.00	
TORONTO, HAMILTON & BUFFALO RAILWAY COMPANY			
† Capital Stock.....		1,469,500.00	
TORONTO TERMINALS RAILWAY COMPANY			
† 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>

†Denotes complete ownership.

WHOLLY OWNED COMPANIES

		Par Value or Principal Amount
CANADIAN PACIFIC EXPRESS COMPANY		
Capital Stock.....		\$ 3,000,000.00
CANADIAN PACIFIC RAILWAY AGENCY (BELGIUM) S.A.		
Capital Stock.....	Cost	8,000.00
CANADIAN PACIFIC RAILWAY (FRANCE) S.A.		
Capital Stock.....	Cost	9,693.66
CANADIAN PACIFIC RAILWAY (GERMANY) G.m.b.H.		
Capital Stock.....	Cost	135.96
CANADIAN PACIFIC RAILWAY (ITALY) S.A.I.		
Capital Stock.....	Cost	12,882.17
CANADIAN PACIFIC STEAMSHIPS, LIMITED		
Capital Stock.....		34,407.34
CANADIAN PACIFIC TRANSPORT COMPANY, LIMITED		
Capital Stock.....		50,000.00
CHATEAU FRONTENAC COMPANY		
Common Stock.....		280,000.00
EASTERN ABATTOIRS, LIMITED		
Capital Stock.....		5,700.00
LADYSMITH WATER COMPANY, LIMITED		
Capital Stock.....		50,000.00
MERSEY TOWING COMPANY, LIMITED		
Common Stock.....		165,904.67
QUEBEC CENTRAL TRANSPORTATION COMPANY		
Capital Stock.....		42,000.00
ST. JOHN BRIDGE & RAILWAY EXTENSION COMPANY		
1st Mortgage Bonds.....	5%	125,000.00
Capital Stock.....		200,000.00
SEIGNIORY CLUB COMMUNITY ASSOCIATION, LIMITED		
1st Mortgage Income Bonds.....	5%	4,625,000.00
Capital Stock—No Par Value—10,000 Shares.	Cost	500,000.00
THE ALBERTA STOCK YARDS COMPANY, LIMITED		
Preferred Stock.....		450,000.00
Common Stock.....		86,000.00
THE NEW BRUNSWICK COLD STORAGE COMPANY, LIMITED		
Cumulative Preference Stock.....		25,000.00
Capital Stock.....		50,000.00
THE SCOTTISH TRUST COMPANY		
Capital Stock.....		250,000.00
Cost....	\$ 9,757,707.29	Total \$ 9,969,723.80

SUMMARY

	Cost	Par Value or Principal Amount
Leased Railway Companies.....	\$ 134,062,398.93	\$ 163,096,616.23
Controlled Railway Companies.....	33,967,662.42	59,943,975.00
Jointly Controlled Railway Companies.....	20,171,926.00	21,129,400.00
Wholly Owned Companies.....	9,757,707.29	9,969,723.80
	<u>\$ 197,959,694.64</u>	<u>\$ 254,139,715.03</u>

MISCELLANEOUS INVESTMENTS AT DECEMBER 31, 1937

	Par Value or Principal Amount
Cambridge Collieries Company	
1st Mortgage Bonds.....	\$ 280,000.00
Preferred Stock.....	899,300.00
Common Stock—No Par Value.....	Cost 10,000.00
Canadian Australasian Line, Limited	
Capital Stock.....	2,433,333.00
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 4,054,009.15
Cost.....	\$ 26,991,206.52
	Total <u>\$ 18,863,142.15</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 11, 1938.

BONDS AND EQUIPMENT OBLIGATIONS AT DECEMBER 31, 1937

EQUIPMENT OBLIGATIONS:	RATE	DATE OF ISSUE	DATE OF MATURITY	CURRENCY IN WHICH PAYABLE	PRINCIPAL OUTSTANDING
Equipment Trust Series "B".....	4½%	June 1, 1926	May 31, 1938	United States	\$ 500,000.00
†Equipment Trust.....	5%	July 1, 1929	July 1, 1944	Canadian or United States	23,680,000.00
Equipment Trust Series "C".....	4½%	Dec. 1, 1930	Serially to Nov. 30, 1945	United States	7,600,000.00
*Equipment Trust Series "D".....	{ 3% 2½%	Feb. 1, 1937	Serially to Jan. 31, 1952	Canadian United States	7,772,000.00 7,772,000.00
Equipment Agreement Dominion Government	3%	Dec. 15, 1937	Serially to Jan. 1, 1950	Canadian	5,730,000.00
**COLLATERAL TRUST BONDS:					
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	4,000,000.00
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
					<u>\$ 204,554,000.00</u>

†Securities and cash deposited with Trustee aggregate \$9,721,857.24.

*Secured in part by pledge of Perpetual 4% Consolidated Debenture Stock aggregating in principal amount, \$3,886,000.00.

**Secured by pledge of Perpetual 4% Consolidated Debenture Stock aggregating in principal amount, \$187,600,000.00.

OBLIGATIONS IN RESPECT OF PRINCIPAL OF SECURITIES OF
COMPANIES OWNING RAILWAY LINES OPERATED UNDER LEASE
AT DECEMBER 31, 1937

DESCRIPTION	RATE	PRINCIPAL OUTSTANDING	NATURE OF OBLIGATION
ALGOMA EASTERN RAILWAY COMPANY			
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.
ATLANTIC & NORTH-WEST RAILWAY COMPANY			
First Mortgage Redeemable Debenture Stock, maturing January 1, 1957.	4%	6,326,666.67	Guarantee of principal and interest.
CALGARY & EDMONTON RAILWAY COMPANY			
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.
JOLIETTE & BRANDON RAILWAY COMPANY			
First Mortgage Bonds, maturing January 1, 2000.....	4%	125,000.00	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%	273,700.00	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%	1,644,933.33	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, 1937

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

Description	Rate	Principal Outstanding	Nature of Obligation
AROOSTOOK VALLEY RAILROAD COMPANY			
First and Refunding Mortgage Bonds, maturing July 1, 1961....	4½%	\$ 455,832.00*	Guarantee of interest.
First and Refunding Mortgage Bonds, Series "A", maturing August 1, 1957.....	5½%	280,500.00	Guarantee of interest.
*Includes \$177,268.00 held in Sinking Fund.			
LORD NELSON HOTEL COMPANY, LIMITED			
First Mortgage Sinking Fund Bonds, maturing November 1, 1947.....	4%	600,000.00	Guarantee of interest.
MINNEAPOLIS, ST. PAUL & SAULT STE. MARIE RAILWAY COMPANY			
First Consolidated Mortgage Bonds, maturing July 1, 1938....	4%	56,863,000.00	Guarantee of interest.
First Consolidated Mortgage Bonds, maturing July 1, 1938....	5%	8,136,000.00	Guarantee of interest.
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.			

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 \$540,000.00.

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 \$654,000.00* 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, 1936.....		\$ 78,564,138.59
Sales and miscellaneous receipts.....	\$ 2,770,976.36	
Interest on deferred payments.....	316,177.55	
		<u>3,087,153.91</u>
		\$ 81,651,292.50
DEDUCT:		
Land and irrigation expenses.....	\$ 742,283.31	
Taxes.....	718,918.41	
Immigration and colonization expenses.....	234,515.60	
Interest on note certificates.....	909,670.50	
Land contracts cancelled.....	1,646,404.55	
Net adjustment of land inventory.....	3,017,015.50	
Miscellaneous adjustments.....Cr.	140,807.10	
		<u>7,128,000.77</u>
Land Surplus December 31, 1937, as per Balance Sheet.....		<u><u>\$ 74,523,291.73</u></u>

MILEAGE AT DECEMBER 31, 1937

CANADIAN PACIFIC RAILWAY—		Miles Operated
New Brunswick District	.....	840.2
Quebec	“	1,676.1
Ontario	“	1,430.4
Algoma	“	1,224.6
Manitoba	“	2,530.8
Saskatchewan	“	3,624.3
Alberta	“	3,168.9
British Columbia	“	2,030.0
Dominion Atlantic Lines	.....	304.0
Quebec Central Lines	.....	356.6
Total	.....	17,185.9
CANADIAN PACIFIC ELECTRIC LINES—		
Grand River Railway	.....	18.6
Lake Erie & Northern Railway	.....	51.0
		<u>69.6</u>
		17,255.5
CONTROLLED RAILWAY COMPANIES—		
Aroostook Valley Railroad	.....	32.1
Minneapolis, St. Paul & Sault Ste. Marie Railway	.....	3,232.4 [⊗]
Spokane International Railway	142.9	
Coeur d'Alene & Pend d'Oreille Railway	20.7	
		<u>163.6[⊗]</u>
The Duluth, South Shore & Atlantic Railway	548.8	
Mineral Range Railroad	43.2	
		<u>592.0[⊗]</u>
		<u>4,020.1</u>
		<u>21,275.6</u>

[⊗]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	.....	1,962
First and second class Passenger, Tourist Sleeping, Baggage, Mail and Express Cars*	.....	2,225
First class Sleeping, Parlor and Dining Cars	.....	800
Freight Cars (all kinds)	.....	79,966
Conductors' Vans	.....	1,209
Boarding, Tool and Auxiliary Cars and other Work Equipment	.....	5,786

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

INLAND STEAMSHIPS

Alberta	Granthall	Moyie
Assiniboia	Keewatin	Naramata
Athabasca	Kelowna	Okanagan
Bonnington	Manitoba	Rosebery
Columbia	Minto	Sicamous
Gross Tonnage	.....	22,826

HOTELS AT DECEMBER 31, 1937

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 1937	Year 1936	Increase or Decrease	
			Amount or Number	Per Cent.
Average miles of road operated	17,222.7	17,240.9	18.2	.11
TRAIN MILEAGE				
Freight	21,155,738	20,417,331	738,407	3.62
Passenger	16,017,542	15,602,196	415,346	2.66
Motor	520,750	587,370	66,620	11.34
Total Transportation Service	37,694,030	36,606,897	1,087,133	2.97
LOCOMOTIVE MILEAGE				
Freight	23,387,137	22,523,187	863,950	3.84
Passenger	16,597,550	16,155,673	441,877	2.74
Switching	8,884,796	8,532,373	352,423	4.13
Total Transportation Service	48,869,483	47,211,233	1,658,250	3.51
CAR MILEAGE				
FREIGHT				
Loaded	504,326,272	478,377,179	25,949,093	5.42
Empty	234,238,847	226,741,842	7,497,005	3.31
Caboose	21,908,987	21,243,994	664,993	3.13
Total	760,474,106	726,363,015	34,111,091	4.70
PASSENGER				
Coaches	39,723,149	37,516,819	2,206,330	5.88
Sleeping, Parlor and Observation	38,584,939	37,074,665	1,510,274	4.07
Dining	6,042,641	5,431,535	611,106	11.25
Other	39,448,388	38,788,386	660,002	1.70
Total	123,799,117	118,811,405	4,987,712	4.20
Total Transportation Service	884,273,223	845,174,420	39,098,803	4.63
FREIGHT TRAFFIC—RAIL				
Freight revenue	\$110,348,764	\$105,439,232	\$4,909,532	4.66
Tons—Revenue freight	29,842,861	27,985,478	1,857,383	6.64
Tons—Non-revenue freight	4,773,785	4,884,607	110,822	2.27
Tons—All freight	34,616,646	32,870,085	1,746,561	5.31
Ton miles—Revenue freight	11,602,289,022	11,424,147,055	178,141,967	1.56
Ton miles—Non-revenue freight	1,318,806,431	1,359,854,070	41,047,639	3.02
Ton miles—All freight	12,921,095,453	12,784,001,125	137,094,328	1.07
AVERAGES PER MILE OF ROAD				
Freight revenue	\$6.407	\$6.116	\$291	4.76
Train miles	1,228	1,184	44	3.72
Total freight train car miles	44,155	42,130	2,025	4.81
Ton miles—Revenue freight	673,663	662,619	11,044	1.67
Ton miles—All freight	750,236	741,493	8,743	1.18
AVERAGES PER TRAIN MILE				
Freight revenue	\$5.22	\$5.16	\$0.06	1.16
Loaded freight car miles	23.84	23.43	.41	1.75
Empty freight car miles	11.07	11.11	.04	.36
Total freight train car miles	35.95	35.58	.37	1.04
Ton miles—Revenue freight	548.42	559.53	11.11	1.99
Ton miles—All freight	610.76	626.13	15.37	2.45
AVERAGES PER LOADED CAR MILE				
Freight revenue (cents)	21.88	22.04	.16	.73
Ton miles—All freight	25.62	26.72	1.10	4.12
MISCELLANEOUS AVERAGES				
Revenue per ton of freight	\$3.70	\$3.77	\$0.07	1.86
Revenue per ton mile of freight (cents)	0.951	0.923	0.028	3.03
Miles hauled—Revenue freight	388.78	408.22	19.44	4.76
Miles hauled—Non-revenue freight	276.26	278.40	2.14	.77
Miles hauled—All freight	373.26	388.93	15.67	4.03

TRANSPORTATION AND TRAFFIC STATISTICS—Continued

	Year 1937	Year 1936	Increase or Decrease	
			Amount or Number	Per Cent.
CLASSIFICATION OF REVENUE TONNAGE CARRIED				
Products of Agriculture.....	6,455,134	7,893,199	1,438,065	18.22
Animals and Products.....	829,654	785,383	44,271	5.64
Products of Mines.....	11,418,391	9,733,378	1,685,013	17.31
Products of Forests.....	3,426,401	3,123,979	302,422	9.68
Manufactures and Miscellaneous.....	6,864,089	5,654,174	1,209,915	21.40
Total carload traffic.....	28,993,669	27,190,113	1,803,556	6.63
All less carload freight.....	849,192	795,365	53,827	6.77
Total Carload and L.C.L. Traffic.....	29,842,861	27,985,478	1,857,383	6.64
PASSENGER TRAFFIC—RAIL				
Passenger revenue.....	\$16,463,963	\$15,539,338	\$924,625	5.95
Passenger service train revenue.....	\$25,808,103	\$24,554,877	\$1,253,226	5.10
Revenue passengers carried.....	7,820,721	7,387,406	433,315	5.87
Revenue passenger miles.....	826,378,066	759,113,574	67,264,492	8.86
AVERAGES PER MILE OF ROAD				
Passenger revenue.....	\$956	\$901	\$55	6.10
Passenger service train revenue.....	\$1,498	\$1,424	\$74	5.20
Train miles.....	960	939	21	2.24
Total passenger train car miles.....	7,188	6,891	297	4.31
Revenue passenger miles.....	47,982	44,030	3,952	8.98
AVERAGES PER TRAIN MILE				
Passenger revenue.....	\$1.00	\$0.96	\$0.04	4.17
Passenger service train revenue.....	\$1.56	\$1.52	\$0.04	2.63
Total passenger train car miles.....	7.49	7.34	.15	2.04
Revenue passenger miles.....	49.97	46.89	3.08	6.57
AVERAGES PER CAR MILE—PASSENGER				
Passenger revenue (cents).....	19.52	19.42	.10	.51
Revenue passenger miles.....	9.80	9.49	.31	3.27
MISCELLANEOUS AVERAGES				
Revenue per passenger.....	\$2.11	\$2.10	\$0.01	.48
Revenue per passenger mile (cents).....	1.99	2.05	.06	2.93
Miles carried—Revenue passengers.....	105.67	102.76	2.91	2.83
TOTAL TRAFFIC—RAIL				
AVERAGES PER MILE OF ROAD				
Train miles—Transportation service.....	2,189	2,123	66	3.11
Car miles—Transportation service.....	51,343	49,021	2,322	4.74
Operating revenues.....	\$8,379	\$7,987	\$392	4.91
Operating expenses.....	\$6,761	\$6,405	\$356	5.56
Net operating revenue.....	\$1,618	\$1,582	\$36	2.28
AVERAGES PER TRAIN MILE				
Operating revenues.....	\$3.83	\$3.76	\$0.07	1.86
Operating expenses.....	\$3.09	\$3.02	\$0.07	2.32
Net operating revenue.....	\$0.74	\$0.74	—	—
TOTAL TRAFFIC—RAIL AND INLAND WATER LINES				
Operating revenues.....	\$145,201,161	\$138,461,550	\$6,739,611	4.87
Operating expenses.....	\$117,069,541	\$111,025,992	\$6,043,549	5.44
Net operating revenue.....	\$28,131,620	\$27,435,558	\$696,062	2.54
Tax accruals, net of hire of equipment and joint facility rents.....	\$4,389,373	\$4,124,447	\$264,926	6.42
Net earnings.....	\$23,742,247	\$23,311,111	\$431,136	1.85
Per cent operating expenses to operating revenues.....	80.63	80.19	.44	.55
Payroll charged operating expenses.....	\$70,741,756	\$67,806,168	\$2,935,588	4.33
Per cent payroll to operating revenues.....	48.72	48.97	.25	.51
Per cent payroll to operating expenses.....	60.43	61.07	.64	1.05

