

CANADIAN PACIFIC RAILWAY COMPANY

ANNUAL REPORT

FOR THE
YEAR ENDED DECEMBER 31

1934

MONTREAL, MARCH, 1935

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CANADIAN PACIFIC RAILWAY COMPANY

NOTICE TO SHAREHOLDERS.

The Fifty-fourth 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 first day of May next, at the principal office of the Company, at Montreal, at Twelve o'clock noon.

The Ordinary Stock Transfer Books will be closed in Montreal, New York and London at 3 p.m. on Tuesday, the ninth 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 second day of May.

By order of the Board,

ERNEST ALEXANDER,
Secretary.

MONTREAL, March 11, 1935.



BOARD OF DIRECTORS.

EDWARD W. BEATTY,	- - - - -	MONTREAL.
W. A. BLACK,	- - - - -	do
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.
COL. FRANK S. MEIGHEN, C.M.G.,	- - - - -	do
SIR EDWARD R. PEACOCK, G.C.V.O.,	- - - - -	LONDON, ENG.
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.

EXECUTIVE COMMITTEE.

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

OFFICERS

CHAIRMAN AND PRESIDENT	EDWARD W. BEATTY	MONTREAL.
VICE-PRESIDENT	D. C. COLEMAN	do
SECRETARY	ERNEST ALEXANDER	do
ASSISTANT SECRETARY	H. C. OSWALD	do
ASSISTANT SECRETARY	I. R. COLLINS	do
GENERAL COUNSEL	W. H. CURLE, K.C.	do
GENERAL SOLICITOR	E. P. FLINTOFT, K.C.	do
ASSISTANT GENERAL SOLICITOR	G. A. WALKER, K.C.	do
ASST. TO THE PRESIDENT	F. A. GABY, D.Sc.	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	C. B. FOSTER	do
ASST. PASS. TRAFFIC MGR., EASTERN LINES	R. G. MCNEILLIE	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	MONTREAL.
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	THOMAS HAMBLEY	NORTH BAY.

Western Lines.

VICE-PRESIDENT	W. M. NEAL	WINNIPEG.
GENERAL MANAGER	W. A. MATHER	do
ASST. GENERAL MANAGER	C. A. COTTERELL	VANCOUVER.
ASST. TO VICE-PRESIDENT	C. E. STOCKDILL	WINNIPEG.
GEN. SUPT. MANITOBA DISTRICT	H. J. MAIN	do
GEN. SUPT. SASKATCHEWAN DISTRICT	W. S. HALL	MOOSE JAW.
GEN. SUPT. ALBERTA DISTRICT	E. D. COTTERELL	CALGARY.

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	A. HATTON	do
MANAGER OF SLEEPING AND DINING CARS	W. A. COOPER	do
GENERAL MGR. OF COMMUNICATIONS DEPT	W. D. NEIL	do
CHIEF COMM. OF IMMIGRATION AND COL.	J. N. K. MACALISTER	do
MANAGER, DEPT. OF NATURAL RESOURCES	S. G. PORTER	CALGARY.
GENERAL PURCHASING AGENT	B. W. ROBERTS	MONTREAL.
GENERAL MANAGER OF HOTELS	H. F. MATHEWS	do

EUROPEAN GENERAL MANAGER - SIR GEORGE MCL. BROWN, K.B.E.,
62 to 65 Charing Cross, LONDON, ENG.

DEPUTY SECRETARY AND REGISTRAR OF
TRANSFERS - E. F. TREMAYNE,
17 Bruton Street - do

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

CANADIAN PACIFIC RAILWAY COMPANY

FIFTY-FOURTH ANNUAL REPORT

OF THE

DIRECTORS OF THE CANADIAN PACIFIC RAILWAY COMPANY.

YEAR ENDED DECEMBER 31, 1934.

To the Shareholders:

The accounts of the Company for the year ended December 31, 1934, show the following results:—

Gross Earnings.....	\$125,542,954.89
Working Expenses (including pensions and taxes).....	101,158,931.48
Net Earnings.....	\$ 24,384,023.41
Special Income.....	6,663,793.02
	<hr/>
	\$ 31,047,816.43
Deduct Fixed Charges.....	24,578,025.55
Balance transferred to Profit & Loss and Surplus Revenue Account.	<hr/> <u>\$ 6,469,790.88</u>

PROFIT & LOSS AND SURPLUS REVENUE ACCOUNT

Surplus Revenue December 31, 1933.....		\$151,993,679.86
Balance of Income for the year ended December 31, 1934.....		6,469,790.88
		\$158,463,470.74
 DEDUCT:		
Provision for depreciation of Ocean and Coastal Steamships.....	\$ 3,783,660.01	
Loss on lines abandoned, property retired and not replaced, and miscellaneous debits.....	4,767,089.78	
Provision for losses in respect of investment in lines in the United States controlled through stock ownership.....	4,000,000.00	
		12,550,749.79
Surplus Revenue December 31, 1934, as per Balance Sheet.....		\$145,912,720.95

The operations for the year 1934 show an improvement in the balance available for transfer to Profit & Loss and Surplus Revenue Account, the increase being \$5,212,630 over the year 1933.

RAILWAY OPERATIONS

The results of railway operations in 1934 as compared with 1933 are set out below. The working expenses in both cases include pension disbursements, the figures for 1933 having been restated for this purpose.

	1934	1933	Increase
Gross Earnings..	\$125,542,954.89	\$114,269,688.16	\$11,273,266.73
Working Expenses.....	101,158,931.48	94,846,393.87	6,312,537.61
(including pensions and taxes)			
Net Earnings...	\$ 24,384,023.41	\$ 19,423,294.29	\$ 4,960,729.12

In 1934 the working expenses, including taxes, amounted to 80.58% of the gross earnings, as compared with 83.00% in 1933. Excluding taxes, the ratio was 77.34% as against 79.38% in 1933.

Gross earnings increased \$11,273,266, or 9.9%, there being in each month, with the exception of June, an improvement over the corresponding month of the previous year. The increase in passenger earnings was \$878,960, or 6.2%, and in freight earnings \$9,681,060, or 11.3%. There was a general increase in the principal classes of freight traffic, except grain and grain products which showed a reduction of \$1,965,220, or 8.1%, from 1933 to the lowest level of any year since 1914.

The working expenses increased \$6,312,537, or 6.7%. The major part of this increase was in maintenance expenses, which were \$4,380,832 higher than in 1933. The main locomotive and car repair shops were operated an average of approximately three more days per month than in 1933. Transportation expenses increased \$1,958,764, but the ratio to gross earnings improved, being 36.3% as compared with 38.2% in the previous year. An improvement took place in the average freight train loading from 1,515 tons in 1933 to 1,525 tons in 1934, and in the gross ton miles per train hour from 23,849 in 1933 to 24,062 in 1934. The fuel consumption remained at the same level as in 1933, viz., 112 lbs. per 1,000 gross ton miles.

The percentage of deductions from the basic rates of pay applicable to the officers and employees generally, as well as the higher percentages applicable to the senior positions and to the Directors' fees and President's salary, referred to in the last Annual Report, were continued throughout the year.

After careful review of the situation during the latter part of the year, your Directors approved a revision of the basis of deductions, effective January 1, 1935; the deduction in the case of officers and employees generally to be 12% until April 30, 1935, and thereafter 10%, with the proviso that after July 1, 1935, in the case of employees whose wages are subject to agreement, thirty days' notice may be served by the Company or the employees of a desire to alter the percentage; for the senior positions the deduction is to be 15%; for the Directors and members of the Executive Committee 20%; and for the President 35%.

SPECIAL INCOME

Special Income was slightly higher than in 1933. Cash dividends totalling \$1,009,500 from The Consolidated Mining and Smelting Company of Canada, Limited, are included in the year's accounts. Owing largely to the rise in sterling during the year, there was a net charge to Exchange Account of \$521,700 as against a credit of \$432,669 in the previous year.

Although still affected by the unfavourable world traffic conditions the net earnings of your Ocean and Coastal Steamships increased \$496,509. The Company succeeded in obtaining a substantial share of the business offering which could be served by its Atlantic and Pacific Fleets. In addition to a moderate increase in the regular services, extensive use was made of the vessels of the Atlantic Fleet for cruise purposes. The "Empress of Britain," in addition to making twelve round voyages on the Atlantic, and a short cruise out of New York, again made a successful voyage around the world. The service afforded by this ship has enabled the Company, in the face of most severe competition, to maintain a position in the shipping world which otherwise would not have been possible. The "Empress of France" and the "Metagama" were sold during the year. The "Minnedosa" was not commissioned. Other vessels were laid up for short periods for the usual annual overhaul and repairs. It is a source of satisfaction that no serious accident occurred to any of your ships during the year.

There was a further improvement in the net earnings of the Communications Department amounting to \$179,174, and in the net earnings from Hotels of \$449,683. Increased commercial and tourist business at your Hotels would seem to indicate that the tide has turned in this important branch of the Company's activities. The increased net earnings of the year serve to illustrate the improvement that may reasonably be expected as patronage returns to more normal levels.

PROFIT & LOSS AND SURPLUS REVENUE ACCOUNT

The full annual depreciation requirement of your Ocean and Coastal Fleets, amounting to \$3,783,660, was appropriated for Steamship Replacement.

In the interests of economy the operation of a total of 119.72 miles of second main track on the Algoma District has been discontinued, and the rails and other material have been removed for use on other parts of the system. The necessary adjustments have been made in the Property Investment Account, resulting, after allowing for salvage, in a net charge of \$2,736,798 to Profit & Loss and Surplus Revenue Account.

In view of the continued unfavourable results of the operation of your controlled lines in the United States, a sum of \$4,000,000 was again appropriated to provide for the possible writing down of the investments in these properties in the future.

LAND SURPLUS ACCOUNT

Sales of agricultural lands during the year amounted to 120,355 acres for \$1,334,343, an average of \$11.09 per acre, including 4,554 acres of irrigated land at \$43.19 per acre, and the remainder at an average of \$9.82 per acre. The Company has continued, through the extension of special concessions, to share with land contract holders the burdens imposed upon them by economic conditions. Following a recent survey of Irrigation Areas, 263,744 acres heretofore classed as irrigated lands have been transferred to non-irrigated, entailing a reduction of \$5,937,642 in Land Surplus.

DIVIDENDS

Notwithstanding the improvement in the results of the year's operations, your Directors feel that in view of the necessity, under the present unstable financial conditions, of preserving the cash position of the Company they would not be justified in declaring any dividend in respect of the year 1934.

PENSIONS

Pension disbursements for the year totalled \$1,842,300. These were included in the working expenses. During the year 322 employees were pensioned. The total number on the pension roll at December 31, 1934, was 2,591, distributed by ages as follows:—

Under 60 years of age.....	85
From 60 to 64 years of age inclusive.....	231
From 65 to 70 years of age inclusive.....	1,107
Over 70 years of age.....	1,168

Total..... 2,591

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 1934 \$841,741. During the year 1934 the retirement of property exceeded the additions and betterments, with the result that investment in railway, rolling stock equipment, lake and river steamers and hotels decreased \$3,492,380. Approval is requested for capital expenditures during the present year of \$3,316,921. Particulars of the principal items are:—

Replacement and enlargement of structures in permanent form.....	\$ 130,307
Additions and betterments to stations, freight sheds, coaling and watering facilities and engine houses....	146,806
Ties, tie plates, rail anchors, ballasting, ditching and miscellaneous roadway betterments.....	1,799,900
Replacement of rail in main and branch line tracks with heavier section.....	532,361
Installation of automatic signals.....	6,320
Additional terminal and side track accommodation....	50,955
Additions and betterments to equipment.....	513,299
British Columbia Lake and River Steamers.....	6,000
Additions and betterments to hotels.....	38,452
Ocean and Coastal Steamships.....	19,972

FINANCE

Of the \$12,000,000 Ten Year 5% Collateral Trust Gold Bonds which matured April 15, 1934, \$11,945,300 were redeemed, and an amount of \$54,700 was deposited with the Trustee to meet the outstanding bonds. The collateral to the issue, consisting of \$15,000,000 par value Four Per Cent. Consolidated Debenture Stock, was released by the Trustee, and was cancelled.

There were issued and sold during the year \$12,000,000 Convertible Fifteen Year 4% Collateral Trust Bonds, secured by pledge of Four Per Cent. Consolidated Debenture Stock of the par value of \$15,000,000, the holders being given the right at any time up to and including July 2, 1941, to convert their Bonds into shares of the Ordinary Capital Stock of the Company in the ratio of four shares of the par value of Twenty-five Dollars each to each One Hundred Dollars principal amount of the Bonds. The proceeds of this issue were applied towards the repayment to Canadian Banks of \$12,000,000 on account of the Five Year Notes, reducing the amount of such Notes outstanding to \$48,000,000. Of the Four

Per Cent. Consolidated Debenture Stock held by the Banks as collateral to the Notes, \$19,999,700 par value was released and was cancelled.

Following the downward trend in interest rates on Bank deposits in Canada, the rate of interest on the Company's Five Year Notes held by Canadian Banks was reduced on November 1, 1934, by $\frac{1}{2}$ of 1% per annum, making the rate $4\frac{1}{2}\%$ per annum.

Loans totalling \$2,000,000 were obtained from United States Banks on January 2, 1934, on this Company's short term promissory notes, secured by \$4,200,000 par value Four Per Cent. Consolidated Debenture Stock. These loans were repaid during the year, and the Debenture Stock was released and was cancelled.

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

The territory served by this system was again visited by a severe drought, and the movement of agricultural products, its principal traffic, was adversely affected. On account of guarantee obligations, and to protect the Company's interests in this property, \$4,895,083 was advanced to the Soo Line during the year.

CO-OPERATION WITH CANADIAN NATIONAL RAILWAY COMPANY

Pursuant to the provisions of the Canadian National-Canadian Pacific Act, 1933, extensive joint studies have been carried out by the Company and the Canadian National Railway Company for the purpose of effecting economies and providing for more remunerative operation. Effective at the beginning of the year the terminals at Fredericton, New Brunswick, were consolidated and the staffs amalgamated. The pooling of passenger train services originally put into effect in April, 1933, was extended in March, 1934, to include all the important competitive services between Quebec and Montreal, Montreal and Toronto and Ottawa and Toronto. After extended negotiations an understanding was reached as to the general principles to be applied in arriving at agreements for the elimination of duplicate lines. Agreements have been concluded in respect of two of these cases, and others are now in course of preparation.

In an effort to give further effect to the provisions of the Act, the two Companies prepared Bills authorizing the amalgamation of their Express and Telegraph services. These Bills failed to secure the approval of Parliament, but negotiations have been continued in the hope that some means may be found of overcoming the difficulties in the way of effecting the desired economies in connection with these services.

The total annual joint economy secured by the two Companies from the measures put into effect up to the end of 1934 is estimated to be \$1,220,510.

AGREEMENTS

Your confirmation and approval will be asked of the following agreements made by your Directors during the past year:—

1. Agreement between your Company and the Canadian National Railway Company, whereby the Canadian National is given the right to use that portion of the line of your Company between Dorval, Quebec, and Windsor Station, Montreal, in connection with the operation of the passenger pool trains between Montreal and Toronto.

2. Agreement between your Company and the Canadian National Railway Company, whereby the freight and passenger facilities and staffs of both companies at Fredericton, New Brunswick, are amalgamated. All freight traffic is handled by a joint staff on the freight facilities of the Canadian National, the cost of operation being divided on a tonnage basis; and all passenger traffic is handled by a joint staff at your station, each company bearing one-half of the cost of operation.

3. Agreement between your Company of the first part, the Canadian National Railway Company of the second part, and the Stanstead, Shefford and Chambly Railroad Company of the third part, whereby the Canadian National is to abandon the operation of the line of the Stanstead Company between Iberville and Farnham in the Province of Quebec, and is to use jointly the line of your Company between these points, paying such amounts and contributing such proportion of the cost of operation and maintenance of your line as will result in an equal division of the net economy resulting from the abandonment.

4. Agreement between the Canadian National Railway Company of the first part, your Company of the second part, and the New Brunswick Railway Company of the third part, whereby your Company is to abandon the operation of the line of the New Brunswick Company between Cyr Junction and Edmundston in the Province of New Brunswick, and is to use jointly the line of the Canadian National between these points paying such amounts and contributing such proportion of the cost of operation and maintenance of the Canadian National line as will result in an equal division of the net economy resulting from the abandonment.

STOCK HOLDINGS

The holdings of the Ordinary and Preference Stocks of the Company in December, 1934, 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	30,202	17.26	78	.27	12.23
United Kingdom and other British	21,391	52.50	27,653	98.07	65.99
United States	16,603	24.40	34	.58	17.35
Other Countries	4,545	5.84	202	1.08	4.43
	<hr/>		<hr/>		
	72,741		27,967		

CHANGES IN DIRECTORATE

The Directors deeply regret to report the loss by death during the year of two members of the Board, Mr. W. J. Blake Wilson, of Vancouver, who passed away in June, and Mr. Grant Hall, of Montreal, who died in August.

Mr. Wilson had been a Director of the Company for seven years, and Mr. Hall, who had served continuously in official positions of progressive importance from the time of the Company's incorporation, had since 1918 been its senior Vice-President and a member of the Board and of the Executive Committee.

Mr. D'Alton C. Coleman was appointed to succeed the late Mr. Hall as Vice-President and as a Director and member of the Executive Committee, and the vacancy created by Mr. Wilson's decease was filled by the appointment of Mr. Morris W. Wilson, President of The Royal Bank of Canada.

RETIRING DIRECTORS

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

COLONEL HENRY COCKSHUTT

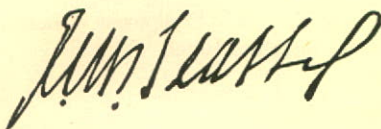
SIR HERBERT S. HOLT

COLONEL F. S. MEIGHEN, C.M.G.

MR. ROBERT C. STANLEY

Your Directors desire again to express their grateful appreciation of the unfailing loyalty and devotion to the Company's interests shown by the officers and employees of all classes.

For the Directors

A handwritten signature in black ink, appearing to read "J. W. Sealy". The signature is written in a cursive, flowing style with some loops and flourishes.

President.

MONTREAL, March 11, 1935.

CANADIAN PACIFIC
GENERAL BALANCE

ASSETS

PROPERTY INVESTMENT:

Railway, Rolling Stock Equipment, Lake and River Steamers and Hotels.....	\$867,434,589.26	
Ocean and Coastal Steamships.....	111,887,174.48	
Acquired Securities (Cost).....	184,267,612.77	
		\$1,163,589,376.51

ADVANCES TO CONTROLLED PROPERTIES AND OTHER
INVESTMENTS.....

23,497,429.64

INVESTMENTS AND AVAILABLE RESOURCES:

Municipal Securities (Cost).....	\$ 6,551.94	
Mortgages Collectible and Loans & Advances to Settlers.....	3,488,558.69	
Miscellaneous Investments (Cost).....	34,125,248.03	
Insurance Fund Investments.....	8,245,215.58	
Deferred Payments on Lands and Townsites...	46,907,819.72	
Assets in Lands and Properties.....	46,548,539.30	
		139,321,933.26

WORKING ASSETS:

Material and Supplies on Hand.....	\$ 16,158,263.34	
Insurance Prepaid.....	249,227.14	
Agents' and Conductors' Balances.....	4,952,407.12	
Net Traffic Balances.....	510,118.78	
Accounts due from Dominion, Imperial and United States Governments.....	611,586.01	
Miscellaneous Accounts Receivable.....	5,839,210.55	
Cash on Hand.....	18,369,030.00	
		46,689,842.94
		\$1,373,098,582.35
		\$1,373,098,582.35

RAILWAY COMPANY

SHEET, DECEMBER 31, 1934.

LIABILITIES

CAPITAL STOCK:

Ordinary Stock	\$ 335,000,000.00	
Four Per Cent. Preference Stock	137,256,921.12	
		\$ 472,256,921.12

FOUR PER CENT. CONSOLIDATED DEBENTURE STOCK

FOUR PER CENT. CONSOLIDATED DEBENTURE STOCK	\$ 495,911,848.74	
LESS: Pledged as collateral to bonds and notes ..	204,500,300.00	
		291,411,548.74

BONDS AND NOTES (Page 20)

BONDS AND NOTES (Page 20)	\$ 189,543,000.00	
LESS: Securities and cash deposited with Trustee of 5% Equipment Trust	5,349,005.81	
		184,193,994.19

TWENTY YEAR 4½% SINKING FUND SECURED NOTE CERTIFICATES (1944)

TWENTY YEAR 4½% SINKING FUND SECURED NOTE CERTIFICATES (1944)	\$ 30,000,000.00	
LESS: Purchased by Trustee and cancelled	9,161,300.00	
		20,838,700.00

CURRENT:

Audited Vouchers	\$ 4,088,764.67	
Pay Rolls	2,402,924.32	
Miscellaneous Accounts Payable	2,208,364.16	
		8,700,053.15

ACCRUED FIXED CHARGES

1,488,062.26

DEFERRED:

Dominion Government Unemployment Relief ..	\$ 2,447,222.71	
Miscellaneous	318,674.31	
		2,765,897.02

RESERVES:

For Equipment Replacement	\$ 8,244,657.87	
For Steamship Replacement	35,185,167.13	
For Insurance	8,245,215.58	
For Contingencies and unadjusted balances	9,979,417.07	
For Investments	12,000,000.00	
		73,654,457.65

PREMIUM ON CAPITAL STOCK SOLD (Less discount on bonds and notes)

67,169,052.46

LAND SURPLUS

104,707,174.81

SURPLUS REVENUE

145,912,720.95

\$ 1,373,098,582.35

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, 1934, 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 statements of Income and of Profit & Loss and Surplus Revenue correctly set forth the result of the year's operations.

Montreal, March 8, 1935.

PRICE, WATERHOUSE & CO.,
Chartered Accountants, (England).

GROSS EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1934

From Freight.....	\$ 95,415,736.83
“ Passengers.....	15,158,729.31
“ Mails.....	3,519,697.05
“ Sleeping and Dining Cars, Express and Miscellaneous.....	11,448,791.70
Total.....	<u>\$125,542,954.89</u>

WORKING EXPENSES FOR THE YEAR ENDED DECEMBER 31, 1934

Maintenance of Way and Structures.....	\$ 18,890,113.54
Maintenance of Equipment.....	20,427,728.07
Traffic.....	6,539,981.16
Transportation.....	45,591,513.84
Miscellaneous Operations.....	1,110,960.19
General.....	4,629,049.16
Transportation for Investment—Cr.....	107,514.77
Railway Tax Accruals.....	4,059,146.10
Uncollectible Railway Revenues.....	17,954.19
Total.....	<u>\$101,158,931.48</u>

SPECIAL INCOME FOR THE YEAR ENDED DECEMBER 31, 1934

Net revenue from Miscellaneous Investments.....	\$ 1,050,850.00
Interest on deposits, interest and dividends on other securities, exchange, and results of separately operated properties.....	1,293,002.34
Net earnings Ocean and Coastal Steamship Lines, before depreciation	2,675,345.41
Net earnings from Communications Department, Hotels, Office Rentals and Miscellaneous.....	1,644,595.27
Total.....	<u>\$ 6,663,793.02</u>

FIXED CHARGES FOR THE YEAR ENDED DECEMBER 31, 1934

RENTALS:

Alberta Railway & Irrigation Company.....	\$ 3,630.00	
Algoma Eastern Railway.....	111,325.00	
Atlantic & North West Railway.....	323,633.34	
Calgary & Edmonton Railway.....	218,357.60	
Connecticut & Passumpsic Rivers Railroad.....	246,000.00	
Dominion Atlantic Railway.....	168,500.00	
Fredericton & Grand Lake Coal & Railway.....	46,446.53	
Glengarry & Stormont Railway.....	41,250.00	
Guelph Junction Railway.....	28,138.56	
Joliette & Brandon Railway.....	5,000.00	
Lacombe & Blindman Valley Railway.....	13,685.00	
Lindsay, Bobcaygeon & Pontypool Railway.....	20,000.00	
Manitoba South Western Colonization Railway...	53,000.00	
Montreal & Atlantic Railway.....	33,120.00	
New Brunswick Railway System.....	390,186.74	
Ontario & Quebec Railway.....	1,235,129.56	
Quebec Central Railway.....	634,754.42	
Southampton Railway.....	1,350.46	
St. Lawrence & Ottawa Railway.....	38,933.34	
St. Stephen & Milltown Railway.....	2,050.00	
Tobique Valley Railway.....	10,578.98	
		\$ 3,625,069.53

INTEREST:

Equipment Obligations.....	\$ 1,760,080.80	
Algoma Branch 5% 1st Mortgage Bonds.....	182,500.00	
4% Consolidated Debenture Stock.....	11,656,461.96	
10 Year 5% Collateral Trust Gold Bonds.....	175,000.00	
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..	237,369.88	
Five Year Notes.....	2,666,543.38	
		20,952,956.02
		<u>\$ 24,578,025.55</u>

CHANGES IN PROPERTY INVESTMENT
YEAR ENDED DECEMBER 31, 1934

RAILWAY, ROLLING STOCK EQUIPMENT, LAKE AND RIVER STEAMERS AND HOTELS:	
Balance at December 31, 1933.....	\$870,926,969.02
Construction of Branch Lines.....Cr. \$	17,230.92
Additions and Improvements:—	
Main line and branches.....Cr.	3,274,632.03
Leased Lines.....	1,387,424.16
Rolling Stock Equipment.....Cr.	1,850,202.69
Lake and River Steamers:.....	6,425.06
Hotels, Communications and Miscellaneous.....	255,836.66
	Cr. 3,492,379.76
Total as per Balance Sheet, December 31, 1934.....	\$867,434,589.26
OCEAN AND COASTAL STEAMSHIPS:	
Balance at December 31, 1933.....	\$116,436,893.17
Additions and Improvements...Cr. \$	146,325.45
Retirements.....Cr.	4,403,393.24
	Cr. 4,549,718.69
Total as per Balance Sheet, December 31, 1934.....	111,887,174.48
ACQUIRED SECURITIES:	
Balance at December 31, 1933.....	\$181,746,612.77
Manitoba South Western Colonization Railway, 1st Mortgage Bonds.....	2,521,000.00
Total as per Balance Sheet, December 31, 1934.....	184,267,612.77
Total Property Investment December 31, 1934.....	\$1,163,589,376.51

MISCELLANEOUS INVESTMENTS

	Par Value
Coeur d'Alene & Pend d'Oreille Ry. 1st Mortgage Bonds.....	\$ 47,000.00
Consolidated Mining & Smelting Company Stock, 336,500 shares.....	8,412,500.00
Cambridge Collieries Company, 1st Mortgage Refunding Bonds.....	250,000.00
Canadian Pacific Express Company Stock.....	3,000,000.00
Duluth, South Shore & Atlantic Ry. Ordinary Stock.....	6,100,000.00
“ “ “ “ Preferred Stock.....	5,100,000.00
Minneapolis, St. Paul & Sault Ste. Marie Ry. Ordinary Stock.....	12,723,500.00
“ “ “ “ Preferred Stock.....	7,000,000.00
Pennsylvania-Ontario Transportation Company Stock.....	187,500.00
Quebec Salvage & Wrecking Company Stock.....	180,000.00
Spokane International Railway Company Stock.....	3,941,800.00
West Kootenay Power & Light Company Preferred Stock.....	55,000.00
	<u>\$ 46,997,300.00</u>

Cost—\$34,125,248.03

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, (England).

Montreal, March 8, 1935.

BONDS AND NOTES AT DECEMBER 31, 1934

	RATE	DATE OF ISSUE	DATE OF MATURITY	CURRENCY IN WHICH PAYABLE	OUTSTANDING DEC. 31, 1934
EQUIPMENT OBLIGATIONS:					
Equipment Trust Series "B".....	4½%	June 1, 1926	Serially to May 31, 1938	United States	\$ 3,500,000.00
*Equipment Trust.....	5%	July 1, 1929	June 30, 1944	Canadian or United States	24,443,000.00
Equipment Trust Series "C".....	4½%	Dec. 1, 1930	Serially to Nov. 30, 1945	United States	10,450,000.00
MORTGAGE BONDS:					
Algoma Branch 1st Mortgage Bonds....	5%	Jan. 1, 1888	July 1, 1937	Sterling	3,650,000.00
**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.....	6%	Mar. 15, 1932	Mar. 15, 1942	Canadian	12,500,000.00
Convertible Fifteen Year Bonds.....	4%	July 2, 1934	July 2, 1949	Canadian	12,000,000.00
**NOTES:					
Five Year Notes.....	4½%	June 22, 1933	June 22, 1938	Canadian	23,000,000.00
Five Year Notes.....	4½%	Dec. 1, 1933	Dec. 1, 1938	Canadian	25,000,000.00
					\$189,543,000.00

*Securities and cash deposited with Trustee of 5% Equipment Trust \$5,349,005.81.

**Secured by deposit of Four Per Cent. Consolidated Debenture Stock of a total par value of \$204,500,300.

CONTINGENT LIABILITIES IN RESPECT OF SUBSIDIARIES NOT
OPERATED OR WHOLLY OWNED

DESCRIPTION	MATURITY	RATE	PRINCIPAL OUTSTANDING DECEMBER 31, 1934	EXTENT OF OBLIGATION
AROOSTOOK VALLEY R.R. Co.				
First and Refunding Mortgage Bonds.....	1961	4½%	\$ 455,832.00*	Interest only.
First and Refunding Mortgage Bonds Series "A".....	1957	5½%	280,500.00	Interest only.
*Includes \$142,691.00 held in Sinking Fund.				
LORD NELSON HOTEL Co. LTD.				
First Mortgage Sinking Fund Bonds.....	1947	4%	600,000.00	Interest only.
MINNEAPOLIS, ST. PAUL & SAULT STE. MARIE RY. Co.				
First Consolidated Mortgage Bonds.....	1938	4%	56,863,000.00	Interest only.
First Consolidated Mortgage Bonds.....	1938	5%	8,136,000.00	Interest only.
Second Mortgage Bonds.....	1949	4%	3,500,000.00	Interest only.
First Refunding Mortgage Bonds Series "B".....	1978	5½%	24,606,000.00*	Interest only.
Notes—Railroad Credit Corporation.....	Serially to Aug. 15, 1935		1,400,000.00	Principal and interest.
*Includes \$12,500,000.00 pledged as collateral for \$10,000,000.00 notes.				
SAULT STE. MARIE BRIDGE Co.				
First Mortgage Bonds.....	1937	5%	1,000,000.00*	Principal and interest jointly and severally with Minneapolis, St. Paul & Sault Ste. Marie Ry. and Duluth, South Shore & Atlantic Ry.
*Includes \$954,000.00 held in Sinking Fund.				
SOUTH SHORE DOCK Co.				
Lease.....			840,000.00	A rental sufficient to cover interest and retire principal of 1st Mortgage 5% Bonds serially to December 1, 1945.
TORONTO, HAMILTON & BUFFALO RY. Co.				
Consolidated Mortgage Bonds.....	1966	4½%	2,000,000.00	Interest only jointly and severally with Michigan Central R.R., New York Central R.R. and Canada Southern Ry.

LAND SURPLUS ACCOUNT

Land Surplus, December 31, 1933		\$116,044,489.05
Sales and Miscellaneous Receipts.....	\$ 2,433,082.46	
Interest on Deferred Payments.....	767,431.71	
		<u>3,200,514.17</u>
		\$119,245,003.22
DEDUCT:		
Land Expenses including Irrigation.....	\$ 973,982.30	
Taxes.....	843,700.11	
Immigration and Colonization expenses.....	210,079.09	
Interest on Note Certificates.....	952,228.82	
Contracts cancelled.....	2,191,648.71	
Adjustments of Land Inventory values.....	7,411,903.00	
Miscellaneous adjustments.....	1,954,286.38	
		<u>14,537,828.41</u>
Land Surplus December 31, 1934, as per Balance Sheet.....		<u><u>\$104,707,174.81</u></u>

STATEMENT OF EQUIPMENT AT DECEMBER 31, 1934
(Including equipment of leased subsidiaries)

Locomotives	2,048
First and second class Passenger, Tourist Sleeping, Baggage, Mail and Express Cars*	2,458
First class Sleeping, Parlor and Dining Cars	883
Freight Cars (all kinds)	83,835
Conductors' Vans	1,327
Boarding, Tool and Auxiliary Cars and other Work Equipment	6,475

*Includes Cars in Toronto, Hamilton and Buffalo

Line Service as follows:—

10 First Class	}	63.96% owned by other lines.
6 Second Class		
6 Baggage and Express		

22 Cars

MILEAGE AT DECEMBER 31, 1934

CANADIAN PACIFIC RAILWAY—

Mileage included in Traffic Returns:

New Brunswick District	870.3
Quebec "	1,695.5
Ontario "	1,473.4
Algoma "	1,240.2
Manitoba "	2,517.2
Saskatchewan "	3,387.7
Alberta "	3,093.3
British Columbia "	1,836.4
Esquimalt & Nanaimo "	211.0
Dominion Atlantic Lines	304.0
Quebec Central Lines	356.6

Total

16,985.6

Mileage of Lines under Construction:

Saskatchewan District	188.3
Alberta "	68.3

256.6

Total

17,242.2

CONTROLLED LINES AND SEPARATELY
OPERATED SUBSIDIARIES—

Canada:

Grand River Ry	18.6
Lake Erie & Northern Ry	51.0

69.6

United States:

Aroostook Valley R.R.	32.1
Duluth, South Shore & Atlantic Ry	556.8
Mineral Range R.R.	43.9
Minneapolis, St. Paul & Sault Ste. Marie Ry.	3,250.2

3,883.0

3,952.6

21,194.8

TRANSPORTATION AND TRAFFIC STATISTICS

	Year 1934	Year 1933	Increase or Decrease	
			Amount or Number	Per Cent.
Average miles of road operated.....	17,015.0	17,030.1	15.1	.09
TRAIN MILEAGE				
Freight.....	16,229,481	14,735,198	1,494,283	10.14
Passenger.....	14,970,330	15,144,380	174,050	1.15
Motor.....	648,449	663,701	15,252	2.30
Mixed (Freight Proportion).....	2,190,441	2,279,934	89,493	3.93
Mixed (Passenger Proportion).....	405,866	411,931	6,065	1.47
Special revenue.....	9,270	5,859	3,411	58.22
Total Transportation Service.....	34,453,837	33,241,003	1,212,834	3.65
CAR MILEAGE				
FREIGHT				
Loaded.....	427,507,877	386,753,882	40,753,995	10.54
Empty.....	209,696,825	190,239,744	19,457,081	10.23
Caboose.....	19,282,089	17,833,849	1,448,240	8.12
Total.....	656,486,791	594,827,475	61,659,316	10.37
PASSENGER				
Coaches.....	35,749,111	34,740,103	1,009,008	2.90
Sleeping, Parlor and Observation.....	33,507,651	31,547,041	1,960,610	6.21
Dining.....	4,685,290	4,819,264	133,974	2.78
Other.....	37,908,089	36,341,838	1,566,251	4.31
Total.....	111,850,141	107,448,246	4,401,895	4.10
TOTAL IN SPECIAL REVENUE TRAINS.....	158,203	73,768	84,435	114.46
Total Transportation Service.....	768,495,135	702,349,489	66,145,646	9.42
FREIGHT TRAFFIC—RAIL				
Freight revenue.....	\$94,786,799	\$85,135,082	\$9,651,717	11.34
Tons—Revenue freight.....	25,606,063	22,019,834	3,586,229	16.29
Tons—Non-revenue freight.....	4,377,923	3,846,430	531,493	13.82
Tons—All freight.....	29,983,986	25,866,264	4,117,722	15.92
Ton miles—Revenue freight.....	10,026,441,098	9,353,117,592	673,323,506	7.20
Ton miles—Non-revenue freight.....	1,234,124,721	1,079,808,602	154,316,119	14.29
Ton miles—All freight.....	11,260,565,819	10,432,926,194	827,639,625	7.93
AVERAGES PER MILE OF ROAD				
Freight revenue.....	\$5.571	\$4.999	\$572	11.44
Train miles.....	1,083	999	84	8.41
Total freight train car miles.....	38,583	34,928	3,655	10.46
Ton miles—Revenue freight.....	589,271	549,211	40,060	7.29
Ton miles—All freight.....	661,802	612,617	49,185	8.03
AVERAGES PER TRAIN MILE				
Freight revenue.....	\$5.15	\$5.00	\$0.15	3.00
Loaded freight car miles.....	23.21	22.73	.48	2.11
Empty freight car miles.....	11.38	11.18	.20	1.79
Total freight train car miles.....	35.64	34.96	.68	1.95
Ton miles—Revenue freight.....	544.33	549.70	5.37	.98
Ton miles—All freight.....	611.33	613.16	1.83	.30
AVERAGES PER LOADED CAR MILE				
Freight revenue (cents).....	22.17	22.01	.16	.73
Ton miles—All freight.....	26.34	26.98	.64	2.37
MISCELLANEOUS AVERAGES				
Revenue per ton of freight.....	\$3.70	\$3.87	\$0.17	4.39
Revenue per ton mile of freight (cents).....	0.945	0.910	0.035	3.85
Miles hauled—Revenue freight.....	391.57	424.76	33.19	7.81
Miles hauled—Non-revenue freight.....	281.90	280.73	1.17	.42
Miles hauled—All freight.....	375.55	403.34	27.79	6.89

TRANSPORTATION AND TRAFFIC STATISTICS—Continued

	Year 1934	Year 1933	Increase or Decrease	
			Amount or Number	Per Cent.
CLASSIFICATION OF REVENUE TONNAGE CARRIED				
Products of Agriculture.....	7,705,792	7,678,121	27,671	.36
Animals and Products.....	706,966	655,560	51,406	7.84
Products of Mines.....	8,619,860	6,688,516	1,931,344	28.88
Products of Forests.....	3,043,050	2,342,865	700,185	29.89
Manufactures and Miscellaneous.....	4,728,429	3,872,108	856,321	22.12
Total carload traffic.....	24,804,097	21,237,170	3,566,927	16.80
All less carload freight.....	801,966	782,664	19,302	2.47
Total Carload and L.C.L. Traffic.....	25,606,063	22,019,834	3,586,229	16.29
PASSENGER TRAFFIC—RAIL				
Passenger revenue.....	\$15,015,450	\$14,163,357	\$852,093	6.02
Passenger service train revenue.....	\$24,015,201	\$22,509,101	\$1,506,100	6.69
Revenue passengers carried.....	7,592,802	7,173,527	419,275	5.84
Revenue passenger miles.....	684,557,710	613,760,424	70,797,286	11.54
AVERAGES PER MILE OF ROAD				
Passenger revenue.....	\$882	\$832	\$50	6.01
Passenger service train revenue.....	\$1,411	\$1,322	\$89	6.73
Train miles.....	942	952	10	1.05
Total passenger train car miles.....	6,574	6,309	265	4.20
Revenue passenger miles.....	40,233	36,040	4,193	11.63
AVERAGES PER TRAIN MILE				
Passenger revenue.....	\$0.94	\$0.87	\$0.07	8.05
Passenger service train revenue.....	\$1.50	\$1.39	\$0.11	7.91
Total passenger train car miles.....	6.98	6.62	.36	5.44
Revenue passenger miles.....	42.72	37.84	4.88	12.90
AVERAGES PER CAR MILE—PASSENGER				
Passenger revenue (cents).....	20.31	19.92	.39	1.96
Revenue passenger miles.....	9.26	8.63	.63	7.30
MISCELLANEOUS AVERAGES				
Revenue per passenger.....	\$1.98	\$1.97	\$0.01	.51
Revenue per passenger mile (cents).....	2.19	2.31	.12	5.19
Miles carried—Revenue passengers.....	90.16	85.56	4.60	5.38
TOTAL TRAFFIC—RAIL				
AVERAGES PER MILE OF ROAD				
Train miles—Transportation service.....	2,025	1,952	73	3.74
Car miles—Transportation service.....	45,166	41,242	3,924	9.51
Operating revenues.....	\$7,337	\$6,650	\$687	10.33
*Operating expenses.....	\$5,669	\$5,289	\$380	7.18
Net operating revenue.....	\$1,668	\$1,361	\$307	22.56
AVERAGES PER TRAIN MILE				
Operating revenues.....	\$3.62	\$3.41	\$0.21	6.16
*Operating expenses.....	\$2.80	\$2.71	\$0.09	3.32
Net operating revenue.....	\$0.82	\$0.70	\$0.12	17.14
TOTAL TRAFFIC—RAIL AND INLAND WATER LINES				
Operating revenues.....	\$125,642,229	\$113,998,658	\$11,643,571	10.21
*Operating expenses.....	\$97,081,831	\$90,690,661	\$6,391,170	7.05
Net operating revenue.....	\$28,560,398	\$23,307,997	\$5,252,401	22.53
Tax accruals, uncollectible revenues, hire of equipment, joint facility rents, etc.....	\$4,176,375	\$3,884,703	\$291,672	7.51
Net earnings.....	\$24,384,023	\$19,423,294	\$4,960,729	25.54
Per cent operating expenses to operating revenues.....	77.27	79.55	2.28	2.87
Total payroll charged operating expenses.....	\$60,312,050	\$58,087,481	\$2,224,569	3.83
Per cent total payroll to operating revenues.....	48.00	50.95	2.95	5.79
Per cent total payroll to operating expenses.....	62.12	64.05	1.93	3.01

*Operating Expenses for 1933 restated to include pensions.

