

FOURTH ANNUAL REPORT

OF THE

BOARD OF DIRECTORS

OF

The Canadian Northern Railway Company



For the Year Ended 30th June, 1906

3

CANADIAN NORTHERN RAILWAY COMPANY

BOARD OF DIRECTORS

MR. WILLIAM MACKENZIE	Toronto, Ont.
MR. D. D. MANN	"
MR. Z. A. LASH	"
MR. FREDERIC NICHOLLS	"
MR. R. M. HORNE-PAYNE	London, Eng.

GENERAL OFFICERS

MR. WILLIAM MACKENZIE	<i>President</i>
MR. D. D. MANN	<i>Vice-President</i>
MR. D. B. HANNA	<i>Third Vice-President</i>
MR. Z. A. LASH, K.C.	<i>Chief Solicitor</i>
MR. A. W. MACKENZIE	<i>Treasurer</i>
MR. W. H. MOORE	<i>Secretary</i>
MR. E. A. JAMES	<i>Manager</i>
MR. GEO. H. SHAW	<i>Traffic Manager</i>
MR. M. H. MACLEOD	<i>Chief Engineer</i>

LONDON (ENGLAND) OFFICES

BOND COURT, WALBROOK, LONDON, E.C.

MR. R. M. HORNE-PAYNE	<i>Director representing the Company in Europe.</i>
MR. H. W. HARDING	<i>Local Secretary.</i>
MR. H. J. COWIE	<i>European Freight Agent</i>

CANADIAN NORTHERN RAILWAY COMPANY

Fourth Annual Report of the Directors
SUBMITTED TO THE SHAREHOLDERS OF THE COMPANY AT THE ANNUAL
GENERAL MEETING HELD AT THE COMPANY'S OFFICES IN
TORONTO ON TUESDAY THE 23RD DAY
OF OCTOBER, 1906.

To the Shareholders :—

The result of the Company's operations for the fiscal year ended 30th June, 1906, are as follows :

<u>GROSS EARNINGS</u>	
From Passenger Traffic.....	\$1,062,639.20
From Freight Traffic... ..	4,335,933.10
From Express, Mail, Telegraph, Dining and Sleeping Cars, including profits from Elevators and other Subsidiary Companies	505,183.31
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	\$5,903,755.61
<u>WORKING EXPENSES</u>	
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Net Earnings.....	\$2,229,022.76
Fixed Charges per statement.....	1,509,448.33
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Surplus for the year	<u>\$719,574.43</u>

The Working Expenses were 66.49% of the Gross Earnings of the Railway proper, and 62.24% of the Gross Earnings from all sources compared with 67.05% and 63.12% respectively last year.

The increase in Passenger Traffic compared with last year was \$398,703.35 or 60%, and whilst the addition in the mileage operated has in part contributed to this result, there has also been a satisfactory increase in passenger revenue from your lines generally.

The increase in Gross Earnings from Freight Traffic was \$1,274,402.33 or 42.62%; the tonnage moved being 1,727,002 tons compared with 1,368,896 tons for the previous year. Of the increase in tonnage carried, Grain and Flour contributed 179,596 tons, Logs and Lumber, 45,031 tons, and General Merchandise 99,050 tons.

In the statement of mileage operated it will be seen that during the past fiscal year the mileage under operation was increased very largely. The completion of the line to Prince Albert and the main line to Edmonton during the year marked an important stage in the history of your Railway. In respect to the line to Prince Albert it provides in addition to opening up a large area of arable land to settlers which has to some extent been already brought under cultivation, an outlet for the production of the lumber mills operating at different points on the line, and creates a shorter route to Winnipeg and the East by about 70 miles. Your Directors have confidence that this line will continue to be an exceedingly profitable part of your Railway. The formal opening

of the Main Line to Edmonton was received by the citizens of that City and District with every expression of good will, and since the inauguration of a regular train service the Company has received a satisfactory proportion of the business destined to and from the districts.

A very large increase in traffic has been reaped throughout the year from the movement of grain and cattle, and from the farming and immigration business generally ; but by far the most noteworthy, and an immensely satisfactory development to be recorded, is that of the coal, iron ore, and other mineral business all along the line, the result of which will only be actually shown in the traffics during the current year. It is an especial subject of congratulation, as it will enable your Company in future to face years of poor crops, whenever they come, with equanimity.

The movement of desirable settlers to all parts of your Railway, and especially to the Saskatchewan Valley and Carrot River districts, during the past fiscal year, continues satisfactory from every standpoint. The Grain crop was considerably better than the previous year, the Lumbering industry also continues prosperous, and in that connection your attention is directed to the table of statistics for comparative figures.

In the course of a few months your Railway expects to engage in the movement of Iron Ore from the Atikokan Range to Port Arthur, where a plant to manufacture iron is now under construction and will be ready for operation shortly. The owners of the Ore property have every expect-

tation also of marketing a large tonnage in the United States, and preparations to that end are being made by them.

In order to develop and protect the territory served by your Main Lines further branch lines are under contract for early construction.

During the year considerable expenditures were incurred in improving the Roadbed, enlarging and building new stations, extending industrial tracks and sidings to meet the growing demands of traffic. The work has been to a great extent delayed owing to the scarcity of labor, and there is no immediate prospect of the situation improving in that respect.

In pursuance of and under the authority of the Shareholders, Four per cent. Perpetual Consolidated Debenture Stock, to the amount of £1,240,000, was sold during the year and the proceeds applied for the general purposes of the Company.

Your Directors, realizing the importance of securing entrances into the cities of Ottawa, Montreal and Quebec, have with your sanction acquired control of the Great Northern Railway of Canada, the Chateauguay and Northern Railway, and the Quebec, New Brunswick and Nova Scotia Railway, by whose lines the necessary entrances have been secured. These three Companies have since been amalgamated under the name of the Canadian Northern Quebec Railway Company, and arrangements are now being made for the permanent working of the amalgamated Railway as part of the Canadian Northern system.

Three months have elapsed since the close of the fiscal year, viz., July, August and September, and the traffic returns show that the Gross Earnings exceeded the same months last year by \$691,600.00. These figures are fairly representative of the prevailing prosperous conditions; and with an increased movement of immigrants, a grain crop in excess of 1905, your Company is assured of a large addition to its business for another year. Provision has been made to meet this increased traffic by the purchase of Rolling Stock of all kinds, details of which, compared with the previous year's table, will be found in the Equipment Statement.

WM. MACKENZIE,
President.

To the BOARD OF DIRECTORS

Herewith I beg to submit the Accounts of the Company, together with the various Statements of Operations for the fiscal year ended 30th June, 1906

D. B. HANNA,
Third Vice-President.

CONDENSED GENERAL

At 30th

TO COST OF RAILWAY AND EQUIPMENT..... \$69,858,264.85

GENERAL ASSETS :

The Minnesota & Ontario Bridge Co.

4½ per cent. First Mortgage Deben-
ture Bonds..... \$180,000.00

Capital Stock..... 100,000.00

The Minnesota & Manitoba R. R.

5 per cent. General Mortgage Bonds 250,000.00

Capital Stock..... 400,000.00

The Lake Superior Terminals Co. Limited

5 per cent. Mortgage Gold Bonds.... 1,000,000.00

Capital Stock..... 500,000.00

The Canadian Northern Telegraph Co.

5 per cent. General Mortgage Bonds 300,000.00

Capital Stock..... 500,000.00

The Winnipeg Land Co. Limited.

5 per cent. First Mortgage Gold Bonds 300,000.00

Capital Stock..... 100,000.00

\$3,630,000.00

Taken to account at the actual cost to the Company 1,946,666.66

OPERATING ASSETS :

To value of Material and Supplies on hand \$411,914.78

Due from Agents and Companies, Traffic

Balances, etc..... 1,390,651.31

1,802,566.09

Cash on hand.....

689,514.46

\$74,297,012.06

BALANCE SHEET

JUNE, 1906

BY CAPITAL STOCK	\$30,750,000.00
“ FOUR PER CENT. PERPETUAL CONSOLIDATED DEBENTURE STOCK.....	10,901,333.32
“ BONDS	24,585,136.70
“ CAR TRUST OBLIGATIONS.....	4,180,915.61

CURRENT LIABILITIES.

Unpaid Pay Rolls	\$333,276.17
Unpaid Audited Vouchers.....	627,497.76
Due to other Companies	1,143,406.78
Accrued Interest on Bonds, etc., to date.....	147,335.60
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	2,251,516.31
Surplus.....	1,628,110.12

\$74,297,012.06

D. B. HANNA,
Third Vice-President.

13

DETAILS OF FIXED CHARGES FOR YEAR ENDED 30TH JUNE, 1906

Bonds

Guaranteed as to Principal and Interest by the Govern- ment of Manitoba

AMOUNT	DATE OF ISSUE	ANNUAL CHARGE
£1,804,500*	30th June, 1904	\$360,128.19
£1,180,600†	30th September, 1901	230,929.40

Guaranteed as to Principal and Interest by the Dominion Government of Canada

£1,923,287§	29th July, 1903	\$167,836.40
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Perpetual Consolidated Debenture Stock

£ 400,000	30th June, 1903		
£ 600,000	18th February, 1905	194,666.66	
£1,240,000§	18th November, 1905	120,693.32	
			\$315,359.98

Leased Lines

Northern Pacific and Manitoba Railway	\$210,000.00
Minnesota and Manitoba Railroad	13,960.00
Interest on Equipment Leases	211,234.36
	\$1,509,448.33

NOTE—*4% Consolidated Debenture Bonds. A proportionate amount of this issue is held in trust for the exchange of the following amounts of former issues still outstanding:—

£ 53,100	1st August, 1896
£243,700	1st February, 1899
£152,100	1st February, 1899
£ 5,800	1st November, 1900
\$101,000	1st April, 1903

†Ontario Division. 4% Ontario Division Debenture Bonds.

£44,700 of this issue is held in trust for exchange for the same amount of previous loan outstanding, dated 6th July, 1900.

§For part of year only.

GROSS EARNINGS, OPERATING EXPENSES AND NET EARNINGS

COMPARED WITH PREVIOUS FISCAL YEAR

Gross Earnings

Per Cent.	1905	Class	1906	Per Cent.
15.85	\$ 663,935.85	Passenger	\$1,062,639.20	18.00
73.06	3,061,530.77	Freight	4,335,933.10	73.44
00.50	20,962.58	Mails	23,171.82	00.40
00.84	35,199.67	Express	53,941.40	00.91
09.75	408,583.09	Miscellaneous	428,070.09	07.25
100.	\$4,190,211.96	TOTAL	\$5,903,755.61	100.

Operating Expenses

Per Cent.	1905	Class	1906	Per Cent.
21.07	\$ 557,260.80	{ Maintenance of Way & Struct's }	\$ 807,692.24	21.98
15.53	410,706.89	{ Maintenance of Equipment }	585,602.08	15.93
57.29	1,515,299.72	{ Conducting Transportation }	2,072,056.62	56.39
06.11	161,462.23	General Expenses	209,381.91	5.70
100.	\$2,644,729.64	TOTAL	\$3,674,732.85	100.

Summary of Earnings and Expenses

Per Cent.	1905	Class	1906	Per Cent.
63.12	\$4,190,211.96	Gross Earnings	\$5,903,755.61	
36.88	2,644,729.64	Operat'g Expenses	3,674,732.85	62.24
	1,545,482.32	Net Earnings	2,229,022.76	37.76
100.				100.

DESCRIPTION OF FREIGHT CARRIED

		For year ended June 30	
		1906	1905
Flour	Sacks (100 lbs. each)	483,819	414,824
Grain	Bushels	16,192,502	9,681,829
Live Stock	Head	41,588	20,299
Logs and Lumber....	Feet	171,636,000	141,614,000
Firewood	Cords	175,675	176,365
Fish	Tons	3,175	5,770
Immigrants' Effects..	Cars	2,614	1,558
Building Material— (Lime, Stone, Brick, Sand, etc.)	Cars	8,955	5,968
Miscellaneous.....	Tons	559,022	459,972

PASSENGER, FREIGHT AND MISCELLANEOUS STATISTICS

COMPARED WITH PREVIOUS FISCAL YEAR

	1906	1905	Increase or Decrease	Per Cent.
PASSENGER TRAFFIC				
Number of passengers carried	564,341	486,591	77,750	15.98
Number of passengers carried one mile	47,182,065	28,883,378	18,298,687	63.35
Earnings per passenger per mile.... Cts.	02.522	02.591	.0.069	02.66
Earnings per traffic train mile	1.13.002	c.92.610	c.20.392	22.02
Total passenger train earnings.. .. \$	1,190,194.97	748,564.40	441,630.57	58.99
FREIGHT TRAFFIC				
Number of tons carried	1,727,002	1,368,896	358,106	26.16
Number of tons carried one mile	535,298,197	385,834,234	149,463,963	38.73
Earnings per ton per mile Cts.	00.810	00.793	.017	02.14
Earnings per traffic train mile	2.22.141	2.04.680	17.461	08.53
Total freight train earnings	4,335,933.10	3,061,530.77	1,274,402.33	41.62
PASSENGER AND FREIGHT, ETC.				
Gross earnings per mile of road	2,860.34	2,641.37	218.97	08.29
Operating expenses per mile of road ..	1,780.39	1,667.55	112.84	06.76
Net earnings per mile of road	1,079.95	973.82	106.13	10.90
Amount required per mile of road to pay fixed charges, including leased lines..	786.05	711.71	74.34	10.44
TRAIN AND CAR MILEAGE				
Mileage of passenger trains.....	1,053,247	808,282	244,965	30.30
Mileage of freight trains	1,951,883	1,495,856	456,027	30.49
EXPENSES PER TRAFFIC TRAIN MILE				
Maintenance of way and structures	26.88	24.18	2.70	11.17
Maintenance of equipment	19.48	17.82	1.66	09.32
Conducting transportation	68.95	65.76	3.19	04.85
General expenses	06.97	07.01	.04	05.70
Total	1.22.28	1.14.77	7.51	6.54

SUMMARY OF EQUIPMENT

	At 30th June, 1906	At 30th June, 1905
Locomotives	141	106
Sleeping and Dining Cars	18	7
Passenger Coaches	77	47
Baggage and Mail and Express Cars.....	35	15
Business Cars	5	5
Freight, Refrigerator and Stock Cars.....	5,437	4,154
Conductors Vans	69	58
Boarding, Tool, Auxiliary Cars and Steam Shovels	83	70

MILES OF RAILWAY

The total number of miles of railway owned and operated, including leased lines, at the close of the fiscal year ended 30th June, 1906, was 2,482.2 miles, made up as follows:—

Lake Superior Division (District No. 1)

Port Arthur to Winnipeg	438.6	
Stanley Junction to Gunflint	66.9	
		505.5

Central Division (District No. 2)

Portage Junction to International Boundry	62.8	
Morris to Somerset	62.1	
Hartney Junction to Brandon	39.8	
Carman Junction to Belmont	118.8	
Belmont to Virden	91.5	
Emerson to Ridgeville	11.6	
Greenway to Adelpha	52.1	
Oak Point Junction to Oak Point	54.0	
Winnipeg Transfer Tracks	11.2	
		503.9

Northern Division (District No. 3)

Winnipeg to Kamsack	278.7	
Delta Branch Junction to Delta	14.8	
Neepawa Junction to McCreary Junction.....	70.4	
Gilbert Plains Junction to Prince Albert	360.6	
Sifton Junction to Winnipegosis	21.2	
Rosburn Junction to Rosburn	79.0	
Arizona Junction to Morris and Brandon Junction.	77.0	
Brandon Junction to Carberry Junction.....	22.8	
		924.5

Western Division (District No. 4)

Kamsack to Humboldt	146.4	
Humboldt to North Battleford.....	147.6	
North Battleford to Vermillion.....	124.5	
Vermillion to Edmonton.....	129.8	
		548.3

2,482.2

Located as follows :

Province of Ontario.....	353.7	
Province of Manitoba.....	1,312.4	
Province of Saskatchewan	602.6	
Province of Alberta ..	169.8	
State of Minnesota	43.7	
		2,482.2

Average mileage operated for fiscal year, 2,064 miles.