

**FIFTH ANNUAL REPORT**

**OF THE**

*BOARD OF DIRECTORS*

**OF**

**The Canadian Northern  
Railway Company**

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**For the Year Ended 30th June, 1907**

# CANADIAN NORTHERN RAILWAY COMPANY

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## 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.

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## 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>General Counsel</i>
MR. W. H. MOORE	-	-	-	-	<i>Secretary</i>
MR. M. H. MACLEOD	-	-	-	-	<i>General Manager</i>
MR. GEO. H. SHAW	-	-	-	-	<i>Traffic Manager</i>

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## 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

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## Fifth 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 WEDNESDAY, THE  
16TH DAY OF OCTOBER, 1907

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### *To the Shareholders :—*

The result of the Company's operations for the fiscal year ended 30th June, 1907, are as follows :

#### GROSS EARNINGS

From Passenger Traffic.....	\$1,464,256.18
From Freight Traffic .....	5,741,729.25
From Express, Mail, Telegraph, Dining and Sleeping Cars, Interest on Deferred Land Payments, and profits from Ele- vators and other Subsidiary Companies	1,144,212.65
	<hr/>
	\$8,350,198.08

<u>WORKING EXPENSES</u> (including Taxes)	\$5,424,163.65
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Net Earnings.....	\$2,926,034.43
Fixed Charges as per statement.....	1,882,489.14
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Surplus for the year.....	\$1,043,545.29

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The Gross Earnings show an increase over the preceding year of \$2,446,442.47, or 41.44%, and Net Earnings a gain of \$697,011.67, or 31.27%.

The increases are gratifying both in passenger and freight receipts. New settlers have been brought into all the districts served by the Railway. The tonnage of grain, lumber and general merchandise hauled has been much heavier than in previous years, owing to the increased mileage in operation, and especially to the larger areas of land brought under cultivation along the older portions of the line. Your Directors invite attention to the high percentage of increase in the quantity of flour handled, as showing how quickly industries allied to agriculture are being founded in Western Canada.

The Working Expenses were 73.49% of the Gross Earnings of the Railway proper, and 64.96% of the Gross Earnings from all sources, compared with 66.49% and 62.24% respectively last year.

The large increase in Working Expenses is due to the unprecedented character of the winter and the greater cost of labor and materials. The winter was the severest ever known in Western Canada, in persistence of low temperature, depth of snow, and duration into the spring season.

In the months of December, January, February and March the Operating Department was obliged to devote itself to keeping communications open; this made it impossible for the traffic to earn expenses. During all the years in which your Company has been in operation no such winter has been met with, and it is but reasonable to expect that a repetition of it will not occur for many years to come. These difficulties of operation were not singular to your Railway, but were common to all lines in the North-western States as well as Western Canada.

The crop following these adverse conditions, though not equal to those of some recent years, is much better than had been anticipated, and is more favorable than the crops in many other parts of the world, where the spring and summer were also unpropitious. The fertility of the soil and the character of the climate have been put to an extreme test and the results have been such that your Directors regard the future with every confidence.

It was stated in the press during the winter that your Company's equipment was insufficient to handle the traffic offered. While the extremely rapid development of your lines, and the unexampled growth of traffic upon them, have necessitated orders for equipment which have kept the car builders continuously behind in the delivery of rolling stock ordered by the Company, the delays of last winter were primarily due to weather conditions. In a normal season the traffic would have been handled without inconvenience to shippers; but the facts just cited imposed upon your Railway all the disadvantages of congestion without its compensations in revenue. As soon as spring came the congestion was expeditiously relieved.

The increased cost of labor and supplies has been common to all enterprises in Canada, but your Directors have employed every reasonable safeguard against undue expenditure, and will continue to do so.

In the Provinces of Manitoba, Saskatchewan and Alberta the needs of the districts served by your Railway are so widespread that additional equipment of all kinds, and other facilities for the speedy handling of business must be provided. New lines are under construction to meet the demands of farmers who are already producing immense quantities of grain for remunerative shipment. Other lines are contemplated that will not only serve new localities,

but, by acting as feeders, will protect the enormous revenue-producing areas which your Railway has been the means of opening up.

The development of these comparatively new districts during the current year has required the expenditure of large sums on structural and mechanical improvements. The roadbed has been further improved by extensive ballasting. Many new stations have been built; and others enlarged. New sidings have been laid and others lengthened. At divisional points the engine-houses have been furnished with more machinery for engine and other repairs, and up-to-date plants for handling coal have been installed. Water stations have been increased and enlarged, freight sheds have been erected in many towns, and at Port Arthur particularly new accommodation for freight has been provided to keep pace with the needs of the port. At various points stockyards have been constructed.

The growth of business has necessitated, in addition to these improvements, the purchase of a great deal of new rolling stock, and your attention is invited to the statement of equipment, which shows the character and extent of the additions made during the year. Delivery has been constant and will continue during the current year.

Your Directors desire to draw attention to the Land Accounts, which are incorporated for the first time in the General Balance Sheet. In respect of lands sold, over \$3,000,000 has been collected, and is held in trust by the National Trust Company to retire the Land Grant Bonds, amounting to \$2,000,000, now outstanding. Deferred payments on land sales still to be collected amount to \$4,871,038.94. Your Company also has a stock interest in the Canadian Northern Prairie Lands Company, which shows a substantial profit on the market value of the stock taken into the accounts of the Railway Company.

Of land still unsold there are 1,828,251 acres, so that even if present land values do not advance—and your Directors have no doubt that they will advance in the immediate future—a very substantial asset will accrue to the Railway Company.

While it is especially gratifying to your Directors that the Company's lands have proved so attractive to settlers from the Middle and Western States, because they are thoroughly experienced in prairie farming, and, besides, being good judges of land, bring it rapidly into cultivation and thus create traffic for the Railway, it is more desirable than ever to encourage the immigration of families of good British stock. The Dominion Government is doing admirable work in this direction, and a large proportion of the arrivals of recent years are settled near your Railway.

During August a party of British journalists traveled from Edmonton to Port Arthur over your Railway, and investigated for themselves the progress made by their countrymen. Your Directors have observed with satisfaction, in the papers represented, very favorable accounts of the country traveled and the conditions examined, and hope to see an even larger immigration from the British Isles.

Your Directors are glad to call attention to the greatly enhanced value of the Company's terminals at Winnipeg, Port Arthur, Edmonton and other divisional points, arising from the general expansion of commerce in Western Canada, as well as from the development along the Company's own lines. An estimate of an increase of over three million dollars in this respect is quite conservative, and is not based on such high values as those at which contiguous property in the cities and towns referred to have changed hands. The number of industries actually established in Winnipeg and elsewhere, together with large extensions of wholesale

trade, are excellent indications of the permanence of business arising from the growth of settlement along the older railways, and the opening up of new territory by your own lines. The increase of urban population has been healthy and not dependent on the more speculative enterprises which sometimes accompany, but do not really affect, the filling up of a vast fertile territory.

Your Directors note with special gratification the establishment of blast furnaces at Port Arthur, which, from ore brought over your Railway from the Atikokan Mines, have, since July, been producing first-class pig iron. They are informed that steps are being taken to double the output, and with the assured development at Port Arthur of manufactories using iron and steel the western market will naturally be supplied from Port Arthur, to the great advantage of your Railway.

Other mines, rich in iron, and tributary to your main line west of Port Arthur, are being opened up, and arrangements are now being completed which will insure heavy shipments of ore over your line immediately navigation opens in 1908.

The iron ranges tapped by your main line are similar to those in the adjoining State of Minnesota, which have furnished the railways serving them with unprecedented revenues; and there is every reason to anticipate that the movement of ore from the Atikokan and Mattawin ranges will ultimately be such as to earn large revenues to your Company.

Several new industries have recently been secured by the cities of Port Arthur and Port William, which will contribute still further to the noteworthy expansion which has already taken place in connection with your terminals. The coal docks are without a superior in equipment. They

already handle six hundred thousand tons in a season; and do it so expeditiously as to effect a material saving in the cost of water-borne fuel, for which there is an enormously increased demand in the Western Provinces year by year.

The direct water connection via Parry Sound and the Canadian Northern Ontario Railway with Toronto and other Ontario points, which was established this year, has, by considerably increasing the traffic through Port Arthur to all western points, not only enhanced the value of your terminal property there, but has begun the diversion to the Canadian Northern Ontario Railway of a large proportion of profitable traffic to and from the Western Provinces.

The City of Edmonton has continued to progress rapidly. Several new industries are being established, for which there is ample scope, and coal mining in the immediate vicinity has been greatly extended. As your terminals are immediately adjacent to the business centre of Edmonton, there is a corresponding gain to the Company.

The lines of the Canadian Northern Quebec Railway necessary to give your Company the full advantage of connection with this System have not yet been completed. They are, however, under construction, and will be finished next year.

The increase in Gross Earnings has been well maintained since the close of the fiscal year, the reported figures for the months of July, August and September being \$2,618,200, compared with \$1,823,100 for the same period in 1906, an increase of \$795,100.

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, 1907.

D. B. HANNA,  
*Third Vice-President*

# CONDENSED GENERAL

At June

## ASSETS.

TO COST OF RAILWAY AND EQUIPMENT.		\$77,540,324.19
The Minnesota & Ontario Bridge Co.		
4½ per cent. First Mortgage Debenture 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	
	<u>\$3,630,000.00</u>	
Taken to account at the actual cost to the Company.....	\$1,946,666.66	
Stock of the Canadian Northern Prairie Lands Company, and advances to other Companies, etc.....	1,045,036.43	2,991,703.09
Deferred Payments on Land Sales.....		4,871,038.94
Value of Material and Supplies on hand.	539,077.77	
Due from Agents, Companies, Traffic Balances, etc.....	892,278.60	1,431,356.37
Cash with National Trust Co., account of Land Sales.....	3,104,620.70	
Cash on hand.....	927,782.45	4,032,403.15
		<u>\$90,866,825.74</u>

NOTE.—In addition to the above assets the Company owns 1,828.251 acres of land in Manitoba and Saskatchewan.

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# BALANCE SHEET

30th, 1907.

## LIABILITIES.

BY CAPITAL STOCK.....	\$30,750,000.00
BONDS.....	25,652,983.38
FOUR PER CENT. PERPETUAL CON- SOLIDATED DEBENTURE STOCK ..	14,321,383.32
LAND GRANT BONDS.....	2,000,000.00
CAR TRUST OBLIGATIONS.....	6,311,618.56
Unpaid Pay Rolls .....	\$530,519.54
Unpaid Audited Vouchers .....	840,274.66
Due to other Companies .....	855,012.56
Accrued Interest on Bonds, etc., to date.	<u>149,392.08</u>
	2,375,198.84
Equipment Replacement Fund....	21,405.20
Surplus Railway .....	2,669,598.93

## LAND GRANT ACCOUNT.

Gross Land Sales.....	8,764,637.51
<u>Less</u>	
Land Grant Bonds, as above, the money to redeem which is in the hands of the National Trust Company.....	{ 2,000,000.00
Surplus in Land Grant Account....	<u>6,764,637.51</u>

\$90,866,825.74

D. B. HANNA, *Third Vice-President.*

## STATEMENT OF INCOME ACCOUNT, 30TH JUNE, 1907

	JUNE 30TH, 1906.
To Operating Expenses .....	\$5,375,701.26
Taxes .....	48,462.39
<i>Interest on Bonds, etc.:</i>	
Consolidated Debenture Bonds guaranteed by the Govern- ment of Manitoba .....	\$393,911.12
Ontario Division Debenture Bonds, guaranteed by the Government of Manitoba..	230,815.03
Three per cent. Debenture Stock, guaranteed by the Dominion of Canada .....	280,799.90
Consolidated Debenture Stock	446,054.30
	1,351,580.35
<i>Rentals of Leased Lines:</i>	
Northern Pacific & Manitoba Railway .....	210,000.00
Minnesota & Manitoba Rail- road .....	13,960.00
Interest on Equipment Securities .....	223,960.00
Accrued Interest to June 30th, 1907 .....	306,948.79
Less accrued interest at 30th June, 1906, paid during the current year .....	149,392.08
Balance of Income Account .....	2,056.48
	2,669,598.93
	\$9,978,308.20
	JUNE 30TH, 1907.
By Balance of Income Account at 30th June, 1906, as per Annual Report .....	\$1,628,110.12
By Gross Earnings, viz. :—	
Passenger Earnings .....	1,464,256.18
Freight Earnings .....	5,741,729.25
Express, Mail and Miscellaneous Earnings .....	1,144,212.65
	\$9,978,308.20
	\$2,669,598.93

# DETAILS OF FIXED CHARGES FOR YEAR ENDED 30TH JUNE, 1907

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## Bonds

### GUARANTEED AS TO PRINCIPAL AND INTEREST BY THE GOVERNMENT OF MANITOBA

AMOUNT	DATE OF ISSUE	ANNUAL CHARGE
£2,231,800* .....	30th June, 1904 .....	\$393,911.12
£1,180,600† .....	30th September, 1901 .....	230,815.03

### GUARANTEED AS TO PRINCIPAL AND INTEREST BY THE DOMINION GOVERNMENT OF CANADA

£1,923,287 .....	29th July, 1903 .....	280,799.90
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## Four Per Cent. Perpetual Consolidated Debenture Stock

£2,942,750§ .....	\$446,054.30
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## Leased Lines

Northern Pacific and Manitoba Railway.....	\$210,000.00
Minnesota and Manitoba Railroad.....	13,960.00
Interest on Equipment Securities.....	306,948.79
	<u>\$1,882,489.14</u>

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

£ 50,000 . . . . .	1st August, 1896
£233,700 . . . . .	1st February, 1899
£131,700 . . . . .	1st February, 1899
£ 1,700 . . . . .	1st November, 1900
\$50,000 . . . . .	1st April, 1903

†Ontario Division. 4% Ontario Division Debenture Bonds.

£40,700 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.	1906	Class	1907	Per Cent.
18.00	\$1,062,639.20	Passenger	\$1,464,256.18	17.53
73.44	4,335,933.10	Freight	5,741,729.25	68.76
00.40	23,171.82	Mails	58,230.86	00.70
00.91	53,941.40	Express	85,124.02	01.02
07.25	428,070.09	Miscellaneous	1,000,857.77	11.99
100.	\$5,903,755.61	TOTAL	\$8,350,198.08	100.

## Operating Expenses

Per Cent.	1906	Class	1907	Per Cent.
21.98	\$ 807,692.24	{ Maintenance of } Way & Struct's }	\$1,228,957.26	22.66
15.93	585,602.08	{ Maintenance of } Equipment }	852,799.62	15.72
56.39	2,072,056.62	{ Conducting } Transportation }	3,097,495.06	57.10
05.70	209,381.91	General Expenses	244,911.71	04.52
100.	\$3,674,732.85	TOTAL	\$5,424,163.65	100.

## Summary of Earnings and Expenses

Per Cent.	1906	Class	1907	Per Cent.
	\$5,903,755.61	Gross Earnings	\$8,350,198.08	
62.24	3,674,732.85	Operating Expenses	5,424,163.65	64.96
37.76	2,229,022.76	Net Earnings	2,926,034.43	35.04
100.				100.

## DESCRIPTION OF FREIGHT CARRIED

		For Year Ended June 30	
		1907	1906
Flour.....	Sacks (100 lbs. ea.)	844,500	483,819
Grain .....	Bushels.....	19,853,142	16,192,502
Live Stock.....	Head.....	32,960	41,588
Logs and Lumber .	Feet.....	189,455,000	171,636,000
Firewood .....	Cords .....	109,685	175,875
Fish.....	Tons .....	3,402	3,175
Immigrants' Effects	Cars .....	4,647	2,614
Building Material (Lime, Stone, Brick, Sand, etc.)	Cars .....	9,046	8,955
Miscellaneous.....	Tons .....	628,521	559,022

# EARNINGS, EXPENSES AND NET EARNINGS

FROM JULY 1, 1902, TO JUNE 30, 1907

Year	Average Miles Operated	Earnings	Expenses	Net Earnings
1902-03	1,276	\$2,449,579.33	\$1,589,293.47	\$ 860,285.86
1903-04	1,349	3,242,702.69	2,120,772.43	1,121,930.26
1904-05	1,586	4,190,211.96	2,644,729.64	1,545,482.32
1905-06	2,064	5,903,755.61	3,674,732.85	2,229,022.76
1906-07	2,509	8,350,198.08	5,424,163.65	2,926,034.43

## Per Mile Operated

Year	Average Miles Operated	Earnings	Expenses	Net Earnings
1902-03	1,276	\$1,918.23	\$1,244.55	\$ 673.68
1903-04	1,349	2,402.71	1,571.40	831.31
1904-05	1,586	2,641.37	1,667.55	973.82
1905-06	2,064	2,860.34	1,780.39	1,079.95
1906-07	2,509	3,328.09	2,161.88	1,166.21

# PASSENGER, FREIGHT AND MISCEL- LANEOUS STATISTICS

COMPARED WITH PREVIOUS FISCAL YEAR.

	1907	1906	Increase or Decrease	Per Cent.
<b>PASSENGER TRAFFIC.</b>				
Number of Passengers carried.....	703,988	564,341	139,647	24.74
Number of Passengers carried one mile .....	60,683.505	47,182,065	13,501,440	28.61
Earnings per Passenger per mile. Cts.	02.835	02.522	0.313	12.41
Earnings per Traffic Train mile...\$	1.18.601	1.13.002	5.599	4.95
<b>Total Passenger Train Earnings...\$</b>	<b>1,720,424.38</b>	<b>1,190,194.97</b>	<b>530,229.41</b>	<b>44.55</b>
<b>FREIGHT TRAFFIC.</b>				
Number of Tons carried.....	1,822,220	1,727,002	95,218	5.51
Number of Tons carried one mile....	637,437.305	535,298.197	122,139.108	22.82
Earnings per Ton per mile..... Cts.	00.873	00.810	00.063	7.77
Earnings per Traffic Train mile...\$	2.54.139	2.22.141	31.998	14.40
<b>Total Freight Train Earnings...\$</b>	<b>5,741,729.25</b>	<b>4,335,933.10</b>	<b>1,405,796.15</b>	<b>32.42</b>
<b>PASSENGER AND FREIGHT, Etc.</b>				
Gross Earnings per mile of Road \$	3,328.09	2,860.34	467.75	16.35
Operating Expenses per mile of Road.....\$	2,161.88	1,780.39	381.49	21.42
Net Earnings per mile of Road...\$	1,166.21	1,079.95	86.26	7.98
Amount required per mile of Road to pay Fixed Charges, including Leased Lines.....\$	750.27	786.05	d 35.78	4.55
<b>TRAIN AND CAR MILEAGE.</b>				
Mileage of Passenger Trains.....	1,450,590	1,053,247	397,343	37.72
Mileage of Freight Trains .....	2,259,279	1,951,883	307,396	15.75
<b>EXPENSES PER TRAFFIC TRAIN MILE</b>				
Maintenance of Way and Struc- tures .....	33.12	26.88	6.24	23.21
Maintenance of Equipment.....Cts.	22.98	19.48	3.50	17.96
Conducting Transportation.....Cts.	83.49	68.95	14.54	21.08
General Expenses.....Cts.	05.29	06.97	d 01.68	24.10
<b>Total .....</b>	<b>1.44.88</b>	<b>1.22.28</b>	<b>22.60</b>	<b>18.48</b>

## SUMMARY OF EQUIPMENT

	At 30th June, 1907	At 30th June 1906
Locomotives .....	190	141
Sleeping and Dining Cars .....	29	18
Passenger Coaches.....	108	77
Baggage and Mail and Express Cars .....	48	35
Business Cars.....	6	5
Freight, Refrigerator and Stock Cars.....	6,868	5,437
Conductors' Vans.....	97	69
Boarding, Tool, Auxiliary Cars, Steam Shovels and Snow Equipment.....	123	83

## 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, 1907, was 2,639.4 miles made up as follows :

### *Lake Superior Division (District No. 1)*

Port Arthur to Winnipeg.....	438.6	
Stanley Junction to Gunflint.....	66.9	
Emerson Junction to South Junction.....	72.7	
		578.2

### *Central Division (District No. 2)*

Portage Junction to International Boundary.....	62.8	
Morris to Somerset.....	62.1	
Hartney Junction to Brandon.....	39.8	
Carman Junction to Belmont.....	118.8	
Belmont to Virden.....	91.5	
Greenway to Adelpha.....	52.1	
Oak Point Junction to Oak Point.....	60.4	
Winnipeg Transfer Tracks.....	11.2	
		498.7

### *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	
Thunderhill Junction to End of Steel.....	20.1	
Oakland to Totogan.....	17.3	
		961.9

### *Western Division (District No. 4)*

Kamsack to Humbolt.....	146.4	
Humbolt to North Battleford.....	147.6	
Battleford to Battleford Junction.....	8.0	
North Battleford to Vermillion.....	124.5	
Vermillion to Edmonton.....	129.8	
Edmonton to Morinville.....	22.9	
Edmonton to Stoney Plains.....	21.4	
		600.6

600.6  

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2,639.4

### Located as follows:

Province of Ontario.....	353.7	
Province of Manitoba.....	1,427.2	
Province of Saskatchewan.....	600.6	
Province of Alberta.....	214.2	
State of Minnesota.....	43.7	
		<u>2,639.4</u>

Average mileage operated for fiscal year 2,509 miles.