

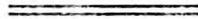
SIXTH ANNUAL REPORT

OF THE

BOARD OF DIRECTORS

OF

The Canadian Northern Railway Company



For the Year Ended 30th June, 1908

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>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>

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

Sixth 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 THURSDAY, THE
24TH DAY OF SEPTEMBER, 1908.

To the Shareholders:—

The result of the Company's operations for the fiscal year ended 30th June, 1908, are as follows:—

GROSS EARNINGS.

From Passenger Traffic.....	\$1,846,086.77
From Freight Traffic	6,824,782.98
From Express, Mail, Telegraph, Dining and Sleeping Cars, Interest and profits from Elevators and other Subsidiary Companies	1,038,592.96
	<u>\$9,709,462.71</u>

WORKING EXPENSES (including Taxes, &c.), \$6,676,775.82

Net Earnings	\$3,032,686.89
Fixed Charges (as per statement, page 16)	<u>2,353,757.48</u>
Surplus for the year	<u>\$ 678,929.41</u>

The Gross Earnings show an increase over the previous year of \$1,359,264.63, or 16.28%, and Net Earnings, a gain of \$106,652.46, or 3.64%.

While the percentages of increase in Gross and Net Earnings are not as large, especially in Net Earnings, as in the preceding year they give to your Railway a unique position among the Railways of the North American Continent during a year which has seen a heavy, though temporary, check to commercial development everywhere. That your Railway is singular in being able to show increases in Gross Earnings that proportionately exceed the increased mileage operated, is a further evidence of the high quality of the country traversed, and of the prosperity which is yearly becoming more noticeable in all sections of it. Perhaps the most striking aspect of this improvement is in the gain from passenger receipts, which show an increase over the preceding year of \$381,830.59, or 26%, and while part of this increase is no doubt due to the fact that this is the first complete year which your Company has operated the Qu'Appelle, Long Lake and Saskatchewan Railway, between Regina and Prince Albert, the reports from the System generally show a steady and progressive advancement.

The Working Expenses were 74.10% of the Gross Earnings of the Railway proper, and 68.77% of the Gross Earnings from all sources, compared with 73.49% and 64.96%, respectively, last year. The increase in Working Expenses is due to comparatively larger expenditures over last year in bringing up the standard of the roadbed and track, to enlarging station accommodation, freight shed, sidings and other necessary facilities to meet the increasing demands of traffic.

During the months of May and June, the earnings of your Railway, in common with all other large Systems in North America, decreased, compared with the earnings of the corresponding period of 1907; the decrease was not, however, as serious as it appeared, and was the combined result of the heavy crop of 1906, the unprecedentedly severe winter of 1906-7, and of the light crop of 1907. As was stated in the last Annual Report, a large proportion of the crop of 1906 was blockaded during the winter; the movement did not again begin until May, 1907, and it continued during the summer months. During the winter of 1907-8, there was not so large a quantity of grain to handle, much new equipment was available, and the weather was as favorable as in the year before it had been unfavorable, with the consequence that very little grain remained to be handled in the Spring, and the earnings, therefore, showed a rapid and deceptive decrease.

The threshing returns of the crop of 1908 have so far produced results even better than were anticipated, and your Directors are able to state that the revenue arising from its movement will far exceed any previous year. The chief factor in this increased movement is not so much the larger yield per acre under crop—although it is quite important — as the greater acreage under cultivation which has accompanied the construction of Branch Lines, and which more than justifies the construction of additional lines now under way, and others contemplated in the immediate future. While it is true that a substantial revenue accrues from the movement of grain of all kinds, it is satisfactory to know that the Company is not entirely dependent upon that class of traffic for revenue. The

lumber and coal industries are increasing in importance, not only from the standpoint of consumption in the older settled towns and districts served by your Railway, but also from the fact that the completion of the Branch Lines referred to provides additional new territory for these commodities.

During the year there have been large expenditures on maintenance and strengthening of roadbed, on relaying track with heavier steel, improving station accommodation, and enlarging the facilities for economical operation of the System. The Shops and Yards at Fort Rouge, Winnipeg—involving an outlay of a million dollars—are in part completed, and have already proved of great benefit to your Railway, furnishing as they do a very complete and up-to-date plant. During the year, there have also been completed new Engine Houses at Brandon, Dauphin and Saskatoon.

The contract for the Fort Garry Station, Winnipeg, which your Company is providing in conjunction with the Government of Canada and the Grand Trunk Pacific Railway, was let in the Spring, and the work has proceeded all summer and will, it is hoped, be carried to completion in about eighteen months. The Station will be the most spacious, convenient, and substantial railway depot in Canada, and will be the property of your Company, with the Transcontinental and Grand Trunk Pacific as tenants.

These notable additions to your terminal facilities in Western Canada are coincident with the construction of new lines in various favored sections of Manitoba and Saskatchewan. Construction of the Brandon to Regina Line was all but completed during the year, and a regular train service will be inaugurated toward the end of Sep-

tember. This line, besides securing to your Company a share of the business of excellent country along 220 miles of Railway, completes an alternative route from Winnipeg to Edmonton, and gives to Prince Albert its third route to Winnipeg over Canadian Northern Lines. It will enable your Company to inaugurate the first competitive passenger service to the City of Regina, and will give to the territory from Regina to Saskatoon, served by the Qu'Appelle, Long Lake and Saskatchewan Railway (the bonds of which are guaranteed by your Company), a more direct access to Winnipeg and to navigation than was previously available, and will make that railway even more valuable, as part of the Canadian Northern System.

During the year, by the direction of the Shareholders, £2,000,000 of four per cent. Perpetual Consolidated Debenture Stock was sold, the proceeds of which, as far as received, have been applied to the general purposes of the Railway, and the purchase of securities of companies whose business is incidental to the traffic of your Railway. In devoting to this latter purpose the sum of \$3,295,000 your Directors have carried out their consistent policy of acquiring for your Company the securities and control of such of the more important undertakings which are necessarily associated with railway transportation. These securities have been lodged with the Trustee of the Mortgage securing the 4% Perpetual Consolidated Debenture Stock. The companies whose securities have been acquired, are

**THE CANADIAN NORTHERN COAL & ORE DOCK COMPANY,
THE LAKE SUPERIOR TERMINAL COMPANY,**

operating at Port Arthur;

THE CANADIAN NORTHERN TELEGRAPH COMPANY,

operating over the entire system;

THE ST. BONIFACE & WESTERN LAND COMPANY,

which holds valuable properties suitable for terminal and manufacturing purposes adjacent to Winnipeg properties;

THE EDMONTON & SLAVE LAKE RAILWAY COMPANY,

under whose charter the line already constructed from Edmonton to Morinville, on the way to Athabasca Landing, and the Peace River Valley, has been constructed and is in operation.

By the authority of the Shareholders of your Company, the First Mortgage Bonds of the Qu'Appelle, Long Lake & Saskatchewan Railway were guaranteed as to principal and interest. The value of this property as revenue producing territory to your system has been amply demonstrated, the net earnings for the past fiscal year—although the crop of 1907 was less than usual—having been more than sufficient to meet the fixed charges on the bonds. Besides, the inclusion of this Railway as part of your System has not only secured access to the rapidly growing City of Saskatoon, but it has rendered much easier the task of tapping the enormous wheat-growing area of Central Saskatchewan. The heavy grain traffic, too, arising from the territory between Saskatoon and Regina ensures from the beginning remunerative business for the new line between Regina and Brandon. From Saskatoon, the construction of the line to the Goose Lake District was undertaken during the year. Grading for fifty miles was completed during the fiscal year just closed and since then track has been laid for that distance and will, it is expected, be completed for an additional twenty miles this season.

The further extension of this railway will be through equally fertile territory in which your Company has extensive land holdings and to which settlers are proceeding in large numbers.

In order to meet the growing demands of traffic, your Directors have made heavy purchases of Rolling Stock of

all kinds involving a large outlay. The delivery of this equipment has placed your Company in an exceptionally favorable position to materially assist in the larger crop movement this coming Fall and the benefits will undoubtedly be amply reflected in the increased gross earnings.

The sale of your lands continues in satisfactory quantities. During the year, 414,696 acres were sold for \$3,449,758.76, or an average of \$8.32 per acre. A reference to the General Balance Sheet shows that in respect of lands sold to 30th June, 1908, there is \$3,832,584.79 in the hands of the National Trust Company, in trust to retire Land Grant Bonds amounting to \$2,000,000, and \$7,240,913.50 in Deferred Payments on Sales, making a total of \$11,073,498.29. The interest of our southern neighbors in the development of Western Canada is steadily growing. Besides the visits of landseekers, large numbers of journalists from the United States have traveled over your main line, and between Regina and Prince Albert, closely inspecting the crops, talking with the settlers and informing themselves of conditions generally. These parties have included men from practically every State in the Union and their published accounts of what they saw have more than endorsed all claims made for the country. Your Directors mention this feature of immigration here because it enforces the argument which has been reflected in previous reports in favor of the immigration to Canada of well-equipped Britons who will take a pride in developing one of the richest portions of the Empire.

A handwritten signature in cursive script, reading "W. MacKenzie". The signature is written in dark ink and is underlined with a single horizontal stroke.

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, 1908.

D. B. HANNA,

Third Vice-President.

CONDENSED GENERAL

At 30th

ASSETS.

TO COST OF RAILWAY AND EQUIPMENT...		\$85,732,583.22
Acquired Securities..... (Cost)		5,733,673.27
(See page 14)		
Advances to other Companies.....		891,100.35
Advances to Lines under construction and Terminals at Winnipeg.....		1,979,044.72
Value of Material and Supplies on hand.	\$ 579,641.46	
Due from Agents, Station Balances, etc.	<u>326,902.02</u>	906,543.48
Deferred Payments on Land Sales...	7,240,913.50	
Cash with National Trust Co., account of Land Sales.....	<u>3,832,584.79</u>	11,073,498.29
Instalments Receivable account of Four Per Cent. Perpetual Consoli- dated Debenture Stock.....		1,154,958.56
Cash on hand.....		1,501,933.83

\$108,973,335.72

Note—In addition to the above assets the Company owns 1,413,555 acres of land in Manitoba and Saskatchewan.

BALANCE SHEET

June, 1908.

LIABILITIES.

BY CAPITAL STOCK.....		\$ 30,750,000.00
BONDS AND STOCK (Guaranteed by Government).....		26,647,730.04
FOUR PER CENT. PERPETUAL CONSOLIDATED DEBENTURE STOCK....		24,054,716.65
LAND GRANT BONDS.....		2,000,000.00
CAR TRUST OBLIGATIONS.....		9,628,790.76
CURRENT LIABILITIES—		
Unpaid Pay Rolls.....\$	452,717.75	
Unpaid Audited Vouchers.....	814,347.47	
Due to other Companies (net)..	428,407.46	1,695,472.68
		<hr/>
Coupons and Dividend Warrants due on 1st July.....	674,526.19	
Accrued Interest on Bonds and Equipment Securities	185,973.10	860,499.29
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EQUIPMENT REPLACEMENT FUND....		47,755.35
GROSS LAND SALES..	11,976,423.63	
Less		
LAND GRANT BONDS, as above, the money to redeem which is in the hands of the National Trust Company.	2,000,000.00	
		<hr/>
SURPLUS—		
Land Grant Account.....	9,976,423.63	
Railway Account.....	3,311,947.32	13,288,370.95
		<hr/>
		\$108,973,335.72
		<hr/>

D. B. HANNA,
Third Vice-President.

ACQUIRED SECURITIES

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....	2,000,000.00
Capital Stock	500,000.00
The Canadian Northern Telegraph Co.	
5 per cent. General Mortgage Bonds.	800,000.00
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
The Canadian Northern Coal & Ore Dock Co.	
5 per cent. First Mortgage Bonds...	375,000.00
The St. Boniface & Western Land Co.	
5 per cent. First Mortgage Bonds..	750,000.00
Capital Stock	250,000.00
The Edmonton & Slave Lake Railway Co.	
5 per cent. First Mortgage Bonds..	420,000.00
The Canadian Northern Prairie Lands Co.	
Capital Stock	492,006.61
	\$7,417,006.61

STATEMENT OF INCOME ACCOUNT, 30TH JUNE, 1908

<p>JUNE 30th, 1908.</p> <p>To Operating Expenses.....\$ 6,623,271.60</p> <p>Taxes..... 53,504.22</p> <p><i>Interest on Bonds, etc.:</i></p> <p>Consolidated Debenture Bonds, guaranteed by the Govern- ment of Manitoba.....\$427,989.03</p> <p>Ontario Division Debenture Bonds, guaranteed by the Government of Manitoba.... 230,754.18</p> <p>Three per cent. Debenture Stock, guaranteed by the Dominion of Canada..... 280,799.90</p> <p>Consolidated Debenture Stock.. 577,539.10</p> <p>Qu'Appelle, Long Lake & Saskatchewan Ry. four per cent. Debenture Stock..... 179,540.25</p> <p>Qu'Appelle, Long Lake & Saskatchewan Ry. six per cent. Bonds 1,927.20</p> <p><i>Rentals of Leased Lines:</i></p> <p>Northern Pacific & Manitoba Railway..... 210,000.00</p> <p>Minnesota & Manitoba Railroad 13,960.00</p> <p>Interest on Equipment Securities Accrued Interest to June 30th, 1908..... 185,973.10</p> <p>Less accrued Interest at June 30th, 1907, paid during the current year 149,392.08</p> <p>Balance of Income Account...</p>	<p>JUNE 30th, 1907.</p> <p>By Balance of Income Account at 30th June, 1907, as per Annual Report.....\$ 2,669,598.93</p> <p>JUNE 30th, 1908.</p> <p>By Gross Earnings, viz.:</p> <p>Passenger Earnings\$1,846,086.77</p> <p>Freight Earnings 6,824,782.98</p> <p>Express, Mail and Miscel- laneous Earnings 1,038,592.96</p> <p style="text-align: right;">9,709,462.71</p> <p>223,960.00</p> <p>431,247.82</p> <p>36,581.02</p> <p>3,311,947.32</p> <p style="text-align: right;">\$12,379,061.64</p> <p>By Balance to credit of Income Account June 30th, 1908, \$ 3,311,947.32</p>
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DETAILS OF FIXED CHARGES FOR YEAR ENDED 30TH JUNE, 1908

GUARANTEED AS TO PRINCIPAL AND INTEREST BY THE GOVERNMENT OF MANITOBA

AMOUNT	DATE OF ISSUE	ANNUAL CHARGE
4% Bonds, £2,436,200*	30th June, 1904	\$427,989.03
4% Bonds, £1,180,600†	30th September, 1901	\$230,754.18

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

3% Stock, £1,923,287	29th July, 1903	\$280,799.90
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Four Per Cent. Perpetual Consolidated Debenture Stock

£4,942,750§	\$577,539.10
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Qu'Appelle Guaranteed Four Per Cent. 30 Year Mortgage Debenture Stock.

£922,309	17th October, 1906	\$179,540.25
6,600 (Six Per Cent. First Mortgage Bonds, 1911)		1,927.20

Leased Lines

Northern Pacific and Manitoba Railway	\$210,000.00
Minnesota & Manitoba Railroad	13,960.00
Interest on Equipment Securities	431,247.82
	\$2,353,757.48

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:—

£ 10,000	1st August, 1896
£108,200	1st February, 1899
£233,700	1st February, 1899
£ 1,700	1st November, 1900
£30,000	1st April, 1903

†Ontario Division. 4% Ontario Division Debenture Bonds.
£37,000 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.	1907	Class	1908	Per Cent.
17.53	\$1,464,256.18	Passenger	\$1,846,086.77	19.01
68.76	5,741,729.25	Freight	6,824,782.98	70.29
00.70	58,230.86	Mails	72,919.50	00.75
01.02	85,124.02	Express	107,266.21	01.10
11.99	1,000,857.77	Miscellaneous	858,407.25	08.85
100.	\$8,350,198.08	Total	\$9,709,462.71	100.

Operating Expenses

Per Cent.	1907	Class	1908	Per Cent.
23.24	\$1,260,960.27	{ Maintenance of Way & Struct's }	\$1,486,030.04	22.26
19.05	1,033,368.75	{ Maintenance of Equipment }	1,330,067.52	19.92
01.67	90,787.30	Traffic Expenses	120,283.85	01.80
52.01	2,820,781.34	{ Transportation Expenses }	3,486,638.09	52.22
04.03	218,265.99	General Expenses	253,756.32	03.80
100.	\$5,424,163.65	Total	\$6,676,775.82	100.

Summary of Earnings and Expenses

Per Cent.	1907	Class	1908	Per Cent.
64.96	\$8,350,198.08	Gross Earnings	\$9,709,462.71	68.77
35.04	5,424,163.65	Operating Expenses	6,676,775.82	31.23
	2,926,034.43	Net Earnings	3,032,686.89	
100.				100.

DESCRIPTION OF FREIGHT CARRIED

		For Year Ended June 30	
		1908	1907
Flour	Sacks (100 lbs. ea.)	925,798	844,500
Grain	Bushels	22,456,041	19,853,142
Live Stock	Head	44,639	32,960
Logs and Lumber .	Feet	206,698,000	189,455,000
Firewood	Cords	197,633	109,685
Fish	Tons	4,435	3,402
Immigrants' Effects	Cars	3,383	4,647
Building Material (Lime, Stone, Brick, Sand, etc.)	Cars	9,432	9,046
Miscellaneous.	Tons	1,133,508	628,521

EARNINGS, EXPENSES AND NET EARNINGS

FROM JULY 1, 1902, TO JUNE 30, 1908.

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
1907-08	2,866	9,709,462.71	6,676,775.82	3,032,686.89

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
1907-08	2,866	3,387.81	2,329.65	1,058.16

PASSENGER, FREIGHT AND MISCEL- LANEOUS STATISTICS

COMPARED WITH PREVIOUS FISCAL YEAR.

	1968	1967	Increase or Decrease	Per Cent.
PASSENGER TRAFFIC.				
Number of Passengers carried.....	937,036	703,988	233,048	33.10
Number of Passengers carried one mile.....	74,468,415	60,683,505	13,784,910	22.72
Earnings per Passenger per mile. Cts.	.02 381	.02 413	d 0.032	1.33
Earnings per Traffic Train mile...\$	1.06 704	1.18 601	d .11 897	10.03
Total Passenger Train Earnings...\$	2,026,272.48	1,720,424.38	305,848.10	17.77
FREIGHT TRAFFIC.				
Number of Tons carried.....	2,615,580	1,822,220	793,360	43.54
Number of Tons carried one mile....	875,287,887	657,437,305	217,850,582	33.14
Earnings per Ton per mile..... Cts.	.00 779	.00 873	d .00 094	10.76
Earnings per Traffic Train mile...\$	2.71 795	2.54 139	.17 656	06.94
Total Freight Train Earnings.....\$	6,824,782.98	5,741,729.25	1,083,053.73	18.86
PASSENGER AND FREIGHT, ETC.				
Gross Earnings per mile of Road...\$	3,387.81	3,328.09	59.72	01.79
Operating Expenses per mile of Road.....\$	2,329.65	2,161.88	167.77	07.76
Net Earnings per mile of Road...\$	1,058.16	1,166.21	d 108.05	09.27
Amount required per mile of Road to pay Fixed Charges, including Leased Lines.....\$	821.26	750.27	70.99	09.46
TRAIN AND CAR MILEAGE.				
Mileage of Passenger Trains.....	1,898,970	1,450,590	448,380	30.91
Mileage of Freight Trains.....	2,511,004	2,259,279	251,725	11.14
EXPENSES PER TRAFFIC TRAIN MILE.				
Maintenance of Way and Struc- tures..... Cts.	33.70	33.99	d .29	.85
Maintenance of Equipment..... Cts.	30.16	27.85	2.31	8.29
Traffic Expenses..... Cts.	02.73	02.45	.28	11.43
Transportation Expenses..... Cts.	79.06	76.04	3.02	3.97
General Expenses..... Cts.	05.75	05.88	d .13	2.21
Total.....\$	151.40	146.21	5.19	3.55

SUMMARY OF EQUIPMENT

	At 30th June, 1908	At 30th June, 1907
Locomotives	290	190
Sleeping and Dining Cars	35	29
Passenger Coaches	122	108
Baggage and Mail and Express Cars.....	70	48
Business Cars	6	6
Freight, Refrigerator and Stock Cars	8,065	6,868
Conductors' Vans	104	97
Boarding, Tool, Auxiliary Cars, Steam Shovels and Snow Equipment	126	123