REPORT OF THE PROCEEDINGS

AT THE

THIRTY-EIGHTH ANNUAL MEETING

OF THE SHAREHOLDERS OF THE

CANADIAN PACIFIC RAILWAY CO.

HELD ON

WEDNESDAY, MAY 7TH, 1919

AT THE

GENERAL OFFICES OF THE COMPANY AT
MONTREAL

CANADIAN PACIFIC RAILWAY COMPANY

REPORT

OF THE PROCEEDINGS AT THE THIRTY-EIGHTH ANNUAL MEETING OF THE SHAREHOLDERS HELD AT MONTREAL ON WEDNESDAY, MAY 7TH, 1919.

The meeting assembled, in conformity with the notice convening the same, at noon, at the General Offices of the Company at Montreal.

The Chairman of the Company, Lord Shaughnessy, presided, and the Secretary of the Company acted as Secretary of the meeting.

The notice calling the meeting having been read by the Secretary, the President, Mr. E. W. Beatty, in moving the adoption of the report on the affairs of the Company for the year ended December 31st, 1918, which had been printed and distributed to the Shareholders, said:—

I have the honour to submit on behalf of the Directors the Thirty-eighth Annual Report of the Company's affairs for your consideration and approval.

The results of the year's operations were, on the whole, and under the conditions which existed, satisfactory, notwithstanding the shrinkage in the net earnings of $12,043,630, due to the extraordinary increase in wage scales and cost of materials of all descriptions. Over seventy-seven per cent. of the total increase in operating expenses was due to increases in wages alone.

The volume, both of freight and passenger traffic, decreased in comparison with 1917, the increase in gross earnings of $5,148,363 being due to increases in rates granted in March and July of last year. The fact that notwithstanding the heavy increases in the cost of operation there was a surplus after payment of all charges and dividends, is another satisfactory evidence of the foresight and wisdom of the Shareholders in having approved substantial expenditures in previous years, which undoubtedly permitted the operations of the Company to be carried on with a cheapness which would not have been possible had such adequate facilities not been provided.

A conspicuous example of the results of such foresight is found in the difference in the cost of rolling stock acquired during the years 1911 to 1914, and the approximate market value of an equivalent amount if required to be purchased in 1918. The rolling stock purchased during the former years, if required to be furnished at the 1918 prices, would have represented an increased cost of approximately $96,000,000.

After four years of war, and the existence of times of the most severe climatic conditions, I am happy to say that the physical condition of your property is excellent, and it will not require more than usual maintenance expenditures to ensure its usual efficiency.

The results of the operations of the three months subsequent to the conclusion of the fiscal year have been disappointing, but not unexpectedly so in view of the falling off of general traffic during the months of February and March and the inevitable heavy costs of maintenance and operation due to high wages and the high prices of materials.

In view of the uncertain conditions which succeeded the conclusion of hostilities and the need of providing as much employment as possible, your Directors did not think it wise to make drastic reductions in the number of men employed by the Company, and the shops of the Company have been maintained at full pressure, always on necessary work, but in some cases on work which might have been postponed if the general conditions had warranted it.

The financial position of the Company at the end of the fiscal year, as indicated in the Annual Report, was, on the whole, extremely gratifying.

Your Directors are of the opinion that a reasonable amount of additional branch line construction should be gone on with as soon as conditions warrant, and the necessary statutory authority is obtained. Resolutions will be submitted for your approval for the construction of the lines which are most urgently required. In this connection, I should point out that in the matter of railway construction the country is faced with a condition quite unprecedented in the recent history of Canada, in that the National Railways and your Company are the only large Companies with resources sufficient to enable them to provide additional railway facilities to any substantial extent. Serious and continuing blunders in railway policy have resulted in the Government being required to assume the ownership at present of 11,400 miles of railway, with the prospect of the acquisition of an additional 6,400 miles. When this acquisition has been accomplished, the principal competing systems in Canada will be your Company and the Canadian National Railways. I have no apprehension as to the ability of your Company, with its splendid facilities and equipment and loyal and efficient officers and men, to obtain a fair share of the traffic and to handle it expeditiously and well. I have no fear of Government ownership, but Government ownership apparently has some fear of private competition under equal conditions. It has recently been found necessary to give the National Railways privileges in the matter of construction of railways not enjoyed by private Companies and to exempt them from complying in other respects with the existing laws respecting railways. I sincerely trust that this policy of making one law for the National Railways and one for the Canadian Pacific and other private enterprises will neither be continued nor extended, because nothing would, in my opinion, be calculated to destroy confidence in Canadian railway enterprise more than a policy which would confer exclusive and peculiar rights on the National Railways designed to make the competitive conditions unequal. The subject of Government ownership has received much attention recently, but not nearly as much as the importance of the subject justifies. Notwithstanding our previous experience and that of the United States and Great Britain, Government ownership and operation of railways is to be attempted on a large scale. The situation is full of danger which cannot be avoided or even minimized except by rigorously independent and non-political administration, which is at least difficult of establishment under our system of Government. This fact must, however, be obvious, that in no other way can the people of Canada obtain a correct appreciation of the results of Government operation of the Systems which are or which may hereafter come into its possession, than by their being administered in strict accordance with the laws of the country under which other Companies have to operate, by their financial and accounting methods being made as precise and as accurate as the law now requires of private Corporations, and by the exact financial results being submitted to Parliament each year.

Different views may conceivably be held as to the wisdom of public ownership and operation of railways. My own views are sufficiently well known not to require repetition, but the fact is public ownership is already here, and experience only will show whether the difficulties I have mentioned in securing efficient and non-political administration can be overcome, and the country receive an adequate service at a minimum of loss.

I am satisfied the Government recognize these difficulties and that a sincere and determined effort will be made to meet the situation. It would seem, however, to be obviously wise that the assumption of further obligations should at least be deferred until the practicability of Government administration, or administration under the aegis of the Government (which is quite inseparable from Government ownership) has been demonstrated. In the end, the burden of the enterprises must be borne by the people, and the people are entitled to know whether the method of administration provided and the results of that administration are such as warrant their approval of the continuance or extension of them in the interests of Canada.

The returns from sales of land during the fiscal year just closed have been the largest in the history of your Company, and it is a matter of great gratification to your Directors, as no doubt it is to the Shareholders, that the incessant activities of the Company in the matter of sale and colonization of lands and the promotion of immigration to Canada has had such far-reaching and beneficial results. As a direct consequence of the efforts of the Company, more than 21,000,000 acres of land have been sold to settlers, and more than half a million settlers induced to come to Canada and settle in the Canadian West. The contribution to the exchequer of the country has been thereby increased by many millions. With return to peace conditions I should expect a considerable increase in immigration, and with the vigorous development of the country's natural resources and the necessary extension of the markets of Canada we have every reason for confidence in the future prosperity of the country, even though the present year may be one during which the commercial expansion may be only moderate.

Your Directors look forward with confidence to the development of the Trans-Atlantic and Trans-Pacific steamship business of your Company, particularly the latter, and adequate provision for the needs of the immediate future has been made, as indicated in the Annual Report.

It would not be proper that I should conclude my remarks without a personal reference to your former President, Lord Shaughnessy, who retired from the Presidency during the last fiscal year. It is perhaps not necessary that I should reiterate the inestimable value of his services to the Company from the beginning of his connection with it, but more particularly during the last twenty years, during which time he occupied the position of Chief Executive Officer. It will, however, be gratifying to the Shareholders to know that, great as has been the success of Lord Shaughnessy's administration of the Company's affairs, viewed from a purely commercial standpoint, greater still has been the influence and force of his personal character and ideals and his high sense of duty on the officers and men of the Company, with the result that the Canadian Pacific enjoys an esprit and an ambition for efficiency among all ranks which I venture to think is unequalled, and certainly not excelled, in any corporation in the world. It must be a source of great gratification to Lord Shaughnessy to know, on his retirement from the active work of the Presidency to the more advisory work of Chairman of the Company, that not only was his administration extraordinarily successful, and that he leaves the property in excellent physical condition, but that he created during his tenure of office an organization the ambition of which, and every member of it, is to utilize that property in the closest co-operation and to the full extent of their powers for the benefit of the country and the Shareholders.

The report having been considered, it was moved by Mr. E. W. Beatty, seconded by Mr. Richard B. Angus, and unanimously

Resolved—That the report on the affairs of the Company for the year ended 31st December, 1918, now submitted, be and the same is hereby adopted.

The following resolution relating to the lease to this Company of the Kaslo and Slocan Railway, referred to in the Annual Report, was submitted and on motion of Sir Thomas Tait, seconded by Mr. W. B. Blackader, was unanimously adopted, viz.:—

Resolved—That the Indenture of Lease from the Kaslo and Slocan Railway Company as Lessor to this Company as Lessee, of which a draft is submitted to this meeting endorsed by the Secretary for the purpose of identification, be and the same is hereby sanctioned and approved, which

Indenture amongst other things demises to this Company, for the term of ninety-nine years, the whole of the railways and branches which the said Kaslo and Slocan Railway Company has been by law authorized to construct, whether constructed or to be constructed, including the railway now in operation and extending from a point of junction with the Whitewater Creek Branch of the Nakusp and Slocan Railway at Retallack to Kaslo, a distance of 17.7 miles, all in the Province of British Columbia, and all such extensions, branches and additions to the railway above described as the Kaslo and Slocan Railway Company is now or may be hereafter authorized to construct, together with their appurtenances, at an annual rental of one dollar and in addition thereto an annual rental equal to the interest payable on the outstanding bonds or other securities issued or which may be issued hereafter by the Kaslo and Slocan Railway Company with the consent of this Company expressed in writing under its corporate seal, the total of all such bonds or other securities unpaid or unredeemed not exceeding at any time the sum of Thirty thousand dollars per mile of the said demised railways and to bear interest at a rate not exceeding five per cent. per annum payable half-yearly, the payment of such interest being guaranteed by this Company.

And further Resolved—That the President and Secretary be and they are hereby authorized to execute the said Indenture on behalf of and under the corporate seal of this Company with such verbal changes if any as they may deem proper, not altering the substance thereof as above described.

The following resolution relating to an agreement with the Grand Trunk Pacific Railway Company, referred to in the Annual Report, was submitted, and on motion of Mr. J. M. McIntyre, seconded by Mr. Alfred Piddington, was unanimously adopted, viz.:—

Resolved—That the agreement, dated 2nd September, 1918, between the Grand Trunk Pacific Railway Company and this Company providing for the use by that Company, for a term of twenty-one years, of this Company's railway from a point East of Sutherland to a point West of Saskatoon, together with the use of this Company's passenger, express and freight facilities at Saskatoon Station, which agreement amongst other things provides for the payment by the Grand Trunk Pacific Railway Company by way of rental of a sum equal to one-half the interest at the rate of five per cent. per annum on the amount of the agreed value of the lands comprised in the joint section and of the improvements thereon and the payment of the maintenance and operation expenses on a wheelage basis as defined in the agreement, be and the same is hereby approved and the execution thereof by the President and Assistant Secretary ratified and confirmed.

The following resolution relating to the construction of Branch Lines and the issue of Consolidated Debenture Stock in respect thereof, was submitted, and on motion of Mr. Robert W. Reford, seconded by Mr. Henri Jonas, was unanimously adopted, viz.:—

Whereas an extension of the Moose Jaw Southwesterly Branch has been constructed from Mileage 35 to Mileage 66, and it is in the view of the Directors expedient that the following other branch lines and extensions of branch lines be constructed in the near future, namely:—

1. An extension of the Bassano Easterly Branch from Empress Northeasterly to Milden, a distance of 132 miles;
2. An extension of the Langdon North Branch from Acme to a point on the projected extension of the Swift Current Northwesterly Branch near Empress, a distance of 132 miles;
3. A part of the Moose Jaw Southwesterly branch from Vidora Easterly, a distance of 35 miles;
4. A Branch of the Manitoba and North Western

Railway from Russell Northerly known as the Russell North Branch, a distance of 15 miles;

5. A Branch from Lanigan Northeasterly and known as the Lanigan Northeasterly Branch, a distance of 150 miles;

It is therefore Resolved—That the construction of the said extension of the Moose Jaw Southwesterly Branch from Mileage 35 to Mileage 66 be and the same is hereby approved, and that the Directors be and they are hereby authorized to proceed with the construction of the said other branch lines and extensions of branch lines when in their opinion conditions warrant and after Statutory authority, where any be necessary, shall have been obtained therefor, and that to aid in the construction and equipment of all such railways the Directors be and they are hereby authorized to issue and dispose of Consolidated Debenture Stock to such an amount as they may deem expedient, but not exceeding in respect of any of said lines the amount which the Company is or may be empowered by Statute to issue.

By-law No. 97, enacted by the Directors on the 10th day of February, 1919, and amending in certain respects the General Train and Interlocking Rules as required by Orders of the Board of Railway Commissioners, was submitted, and on motion of Sir Vincent Meredith, Bart., seconded by Mr. Alister F. Mitchell, it was unanimously

Resolved—That By-law No. 97 now submitted be and the same is hereby approved and adopted.

By-laws Nos. 2, 4, 5, 7, 10, 18, 20, and 20a, enacted by the Directors on the 10th day of October, 1918, and embodying the verbal amendments made necessary by the separation of the positions of Chairman of the Company and President, were submitted, and on motion of Mr. Wilmot D. Matthews, seconded by the Hon. Frederick L. Béique, K.C., it was unanimously

Resolved—That By-laws Nos. 2, 4, 5, 7, 10, 18, 20, and 20a now submitted be and the same are hereby approved and adopted.

The meeting then proceeded to the election of Directors to replace the four retiring Directors, and on motion of Lord Shaughnessy, seconded by Mr. E. W. Beatty, the following resolution was unanimously adopted, viz.:—

Whereas in pursuance of By-law No. 6, Mr. Richard B. Angus, Sir Edmund B. Osler, Sir Herbert S. Holt, and Brig.-Gen. Frank S. Meighen, C.M.G., Directors of the Company, retire from office at this Meeting;

And whereas four Directors to replace the said retiring Directors, who are, however, eligible for re-election, must be elected at this Meeting for the term of four years as provided for in the said By-law;

It is Resolved—That a ballot be now taken for the election of four Directors for the term of four years to fill the vacancies created as above stated; that Mr. William R. Miller and Lt.-Col. George R. Hooper be appointed scrutineers to take such ballot, and that the poll be closed when five minutes shall have elapsed without a vote being cast at such election.

The ballot having been taken and no further votes having been cast within the specified time, the Secretary read the report of the scruntieers, which declared that Mr. Richard B. Angus, Sir Edmund B. Osler, Sir Herbert S. Holt, and Brig.-Gen. Frank S. Meighen, C.M.G., had been unanimously elected Directors of the Company for the term of four years from the date of this meeting, and the report was adopted.

Mr. Huntly R. Drummond, speaking on behalf of the Shareholders of the Company, paid a tribute to the services rendered by Lord Shaughnessy during the term of his Presidency, and proposed the following resolution, which, seconded by Mr. Colin Campbell, was unanimously carried:

Resolved—That there be inscribed in the record of this meeting an expression of the appreciation of the Shareholders of the great service rendered to the Company and to the Dominion of Canada by the Rt. Hon. Lord Shaughnessy, who has recently retired from the Presidency and assumed the Chairmanship of the Company.

The outstanding position held by the Canadian Pacific Railway, not only in the markets of the world, but also in the respect and affection of the Canadian people, provides the greatest of all tributes to the genius with which Lord Shaughnessy has directed the affairs of the Company; but the Shareholders cannot let this occasion pass without the further tribute of their thanks for the services he has rendered during the thirty-six years with which he has been associated with this enterprise.

Through Lord Shaughnessy's financial skill and executive ability, an immense transportation system has been built up and consolidated with such efficiency and economy that the Canadian people have enjoyed efficient service at moderate rates, have seen their resources developed beyond all expectation, and have been encouraged during normal years by a steady flow of immigration, while the financial returns of the Company itself have amply justified the confidence placed by investors in Canadian industry and management.

It is particularly gratifying to the Shareholders that under Lord Shaughnessy's Presidency the Canadian Pacific Railway Company should not only have rendered such signal services to the cause of the Allies during the recent Great War, but should also have maintained its efficiency and financial standing in the face of the difficult conditions created by that War. The Shareholders consider it due largely to his far-sighted policy that under such circumstances the Canadian Pacific Railway Company should not only have required no assistance from the Canadian Government, but should actually from its reserves have been able to provide substantial aid to that Government in maintaining the high standard of Canadian credit.

The Shareholders deeply appreciate and honour the spirit of self-sacrifice with which Lord Shaughnessy maintained the arduous duties of the Presidency during the anxious years of the War in spite of physical disabilities. They rejoice that these disabilities have been ameliorated and that with renewed vision he can once more enjoy the beauties of that Canadian landscape which the Canadian Pacific Railway has made accessible to the world.

When the prospect of peace enabled him to hand over the more active duties of the Presidency with clear conscience to a younger man, it was with genuine pleasure that the Shareholders heard of Lord Shaughnessy's decision to remain as Chairman of the Company, not only because they realized that the Company would thereby continue to have the benefit of his counsel and advice, but also because they are proud to retain as their titular head one who is held in such universal honour.

The Shareholders trust that the indomitable spirit which has been so characteristic of Lord Shaughnessy's whole splendid career will be rewarded with many years yet to come of health, prosperity and happiness.

It is Further Resolved—That a copy of the foregoing resolution, suitably engrossed, and signed by the Secretary under the Corporate Seal of the Company, be forwarded to the Rt. Hon. Lord Shaughnessy.

Lord Shaughnessy replied as follows:

I appreciate most heartily and thank you, Mr. President and fellow-Shareholders, for the complimentary remarks referring to myself in the President's address, and in the Resolution adopted by the Meeting. I would be lacking in candour if I failed to admit great pride in the progress of the Company during my Presidency and in its present splendid position, physically and financially, and equal pride in the faith and confidence of the Shareholders who, with marvellous unanimity, responded to calls for new capital by subscribing for additional issues of Stock, even on occasion when in deference to popular clamour the issue price was less favourable to the subscribers than it might properly have been. My predecessors, Lord Mount Stephen and Sir William Van Horne, who carried the responsibilities of the Chief Executive through the periods of construction and the first few years of operation, had a most difficult task, as is well known to our senior colleagues on the Board of Directors, Mr. Angus, Sir Edmund Osler, and Mr. Matthews, but it was my good fortune to become President just when the tide was turning and when Canada was coming into her own.

The expansion in the country's business and the consequent increase of traffic compelled capital expenditure on a large scale to furnish improved transportation facilities presently required and to anticipate the future, and the money for these purposes was provided year by year from 1900 to the outbreak of war. The policy of your Directors was bold and forward. There was never any hesitation, and looking back over that period they are justified in the conviction that few, if any, mistakes were made; and that conviction is, I am sure, shared by the great body of the Canadian people and of the Company's Shareholders.

It was fortunate, indeed, that when the time arrived to transfer the responsibilities of Chief Executive to younger and more vigorous shoulders, your Directors had available for the post a man so capable, so energetic, so conscientious and so well versed in matters relating to the Company's policy as the new President, Mr. Beatty. I shall not hurl back at him such compliments as he paid me in great profusion, but I may be permitted to say that he enjoys the complete confidence and respect of the Directors and of the Canadian people. The Shareholders' interests could not be in safer hands.

After so many years of business and personal association, it was somewhat of a wrench to my fellow-Directors, as it was to me, to alter our relations by permitting me to retire from the Presidency, but they felt as I did, and as I hope you feel, that it was best for the future of the Company.

The proceedings then terminated.

Shaughnessy

Chairman.

E. Alexander

Secretary.

At a meeting of the Board held immediately after the Shareholders' meeting, The Right Hon. Lord Shaughnessy, K.C.V.O., was elected Chairman of the Company, Mr. E. W. Beatty President, and Mr. Grant Hall Vice-President, and the following were appointed the Executive Committee:—

MR. RICHARD B. ANGUS,
MR. E. W. BEATTY,
MR. GRANT HALL,
SIR HERBERT S. HOLT,
SIR EDMUND B. OSLER,
THE RIGHT HON. LORD SHAUGHNESSY, K.C.V.O.