REPORT OF THE PROCEEDINGS

AT THE

THIRTY-NINTH ANNUAL MEETING

OF THE SHAREHOLDERS OF THE

CANADIAN PACIFIC RAILWAY CO.

HELD ON

WEDNESDAY. MAY 5TH, 1920

AT THE

GENERAL OFFICES OF THE COMPANY AT
MONTREAL

CANADIAN PACIFIC RAILWAY COMPANY

REPORT

OF THE PROCEEDINGS AT THE THIRTY-NINTH ANNUAL MEETING OF THE SHAREHOLDERS HELD AT MONTREAL ON WEDNESDAY, MAY 5TH, 1920.

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, 1919, which had been printed and distributed to the Shareholders, said:—

The Annual Report of the Company and statements attached, which have been in your possession for some time, reflect very vividly the situation prevailing generally in respect of increased costs of operation. Notwithstanding that the gross earnings of the Company were the largest in its history, and exceeded the gross earnings of 1918 by $19,391,362, the net earnings were less by $1,569,351. The large increase in working expenses of $20,960,713, following as it does an increase of $17,191,993 in the working expenses during the year 1918, or a total increase in 1919 over 1917 of $38,152,706, is a striking example of the effect of the increased cost of wages and material in the operations of a Company—even one conservatively and economically administered as are the affairs of your Company.

While it is a matter of great gratification that, even with these exceptional costs, your Company has been able during the past two years to earn its fixed charges and usual dividends and very moderate surpluses, it is nevertheless important that the relation between earnings and expenses should now receive the most careful consideration. The results of the operations during the past two years show an upward trend in costs, which even extensive increases in gross earnings and effective operating economies, due to heavier loading, larger power and consequent reduced train mileage, have not equalized.

For the past sixteen years the freight and passenger rates of all Canadian railways have been subject to review or have been fixed by the Dominion Railway Commission. The rates have been readjusted from time to time, first being lowered and then increased, but the extent of the increase has not equalled the increased costs which have recently been forced upon all Companies, and reductions in which cannot with any confidence be predicted at this time.

During the fiscal year ended June, 1914, the working expenses of your Company, with a mileage somewhat less than the operated mileage of last year, were $87,388,000, while for the year 1919 they had climbed to practically $144,000,000—an increase of 64%. Within that period increases of nominally 40% in freight rates and 15% in passenger rates have been authorized by the Railway Commission. The actual increases owing to the adjustment of rates made by direction of the Board were in fact 30% in freight rates and 10% in passenger rates. The result, therefore, has been that during the past five years the percentage increase in operating expenses was double the percentage increase in tolls accorded to the Companies.

Owing to the parity of conditions existing between the United States and Canada, the Canadian roads were forced, during the War, to put into effect the high wage scales made effective under Government control of the American roads and they were also compelled to continue operating under tariffs of tolls substantially the same as those in force in the United States. These tariffs were entirely inadequate as results in the United States clearly demonstrated. By legislation recently enacted, the American carriers are assured of rates which will return a fixed percentage on the value of the undertakings used in the public service, which will mean a reconsideration of, and increase in, the rates now current in that country. No doubt the necessity of rate adjustments in Canada will be given earnest consideration by the Government and the Dominion Railway Board. While it is not my purpose to anticipate any action which may be taken, it is only proper, I think, to say that a readjustment is amply warranted, both on the ground of the value of the service rendered by the carriers and the cost to them of performing such service.

It is further to be remembered, and I do not anticipate that it will be forgotten, that the value of any enterprise to the people it serves depends greatly upon its ability to progress and develop, and on the maintenance of a high credit, without which such development cannot take place. Waste, extravagance and improvidence must be discouraged, but I can imagine nothing more detrimental to Canada than that its railway systems should be unable to keep pace in their own development with the progress of the country, and that they should be unable to aid that progress by the expansion of facilities, the construction of necessary new lines and by meeting the increasing demands of the public in the way of efficiency and comfort in service.

Based upon accepted principles in other countries governing compensation due to transportation and other public service corporations, the net earnings of your Company have always yielded a moderate return upon the capital actually invested in the enterprise. The railway net earnings of the Company for 1919 represent only a return of 4% on the actual cash invested in the railway itself.

The operations for the year 1919, after the payment of fixed charges and the usual Preference and Common Stock dividends, showed a nominal surplus of $844,249, which has been placed in reserve to meet the special taxation imposed by the Dominion Government, which special taxation ended in 1919. The fixed charges of the Company are low, the interest on the Preference Stock is equally low, and the dividend of 7% payable on Common Stock from railway earnings is moderate. A factor which seems to be lost sight of in these discussions of the relations between expenses and revenues, is the absolute necessity of reasonable surpluses in the case of any corporation conducting an enterprise as extensive as that of your Company. The gross earnings of the Company for the year exceeded $176,000,000 and the surplus, after deduction of the moderate fixed charges and dividends, only amounted to less than half of one per cent. of these earnings.

Considering the importance of reasonable provision for working capital annually from the operations of the Company if its high credit and ability to progress are to be maintained, it will readily be appreciated that the revenues during the past two years have been, to say the least, inadequate.

In the discussion which has taken place as to the desirability, or otherwise, of increased rates and therefore increased revenues to the Canadian railways, two theories are publicly mentioned. The first, that rates should be increased but that any surplus earnings thereby accruing to your Company should be taken back through the medium of special taxes, and the second, that rates should not be increased but that the Government Railways' deficits, if such occur, should be met out of the general revenues of the country. Both theories are, in my opinion, unsound. Rates should be established which represent a fair return for the service rendered, and if by efficiency and economy and the character and extent of its equipment and facilities a Company can render its operations under such rates profitable, there is no warrant for the confiscation of those profits, nor can there be anything but doubtful honesty in the proposal that one Company's revenues accruing to it from service actually rendered by it and well performed should be taken from it to supplement the revenues of a competitor whose operations do not show favourable results. It is scarcely necessary for me to say that the fairness, or otherwise, of any rate basis is not necessarily measured by the strength or resources of a Company, or by the lack of them.

The second theory, that rates should not be increased but that any deficits should be met from the general revenues of the country, is unsound economically and unfair alike to the Government-owned and other railways. It is obvious that any system which permits services to shippers and others to be performed at unreasonably low rates is discriminatory in their favour, and discriminatory against the public whose taxes are increased as a contribution to those who use railway facilities.

In my opinion the rates in this country should be determined having regard to the cost and value of the services rendered by the Companies and to the legitimate needs of the Companies if they are to meet the transportation requirements of the country. No doubt a question so important and far-reaching in its effect will be given the careful consideration to which it is entitled by those in authority and empowered to deal with it. I may say, however, that the properties of this Company are in excellent condition, and at no time in its history has it been better equipped to perform its important public services or to play its full part in the advancement of the transportation future of this country.

In the Annual Report reference has been made to the Company's irrigation project in Alberta, the construction of which was undertaken some years ago, and in the earlier progress of which some difficulties were met. The project has now become firmly established and the success has been so pronounced during the past few years that further reference to this important undertaking is, I think, warranted.

An area of 643,526 acres has been brought under irrigation through the medium of 3,969 miles of irrigation canals and distributing ditches. Of this area 301,382 acres of irrigable land have been sold at an average price of $38.18 per acre. There is still for sale within the block 342,144 acres of irrigable land for which there is at present a very active demand.

During the period from the commencement of construction to 31st December, 1919, the Company has expended in connection with the construction and maintenance of these irrigation works the sum of $15,186,348 and in their operation the sum of $1,761,268.

The introduction of irrigation in Southern Alberta has made it possible to successfully produce on irrigated land splendid crops of alfalfa, corn, small fruits and vegetables, which are not produced with equal success under dry farming conditions. Careful statistics, covering eleven years, indicate remarkable increases in ordinary crops grown on irrigated land over those produced on dry land and the wisdom of the decision to undertake this extensive project has been more than justified. We are amply warranted in the belief that the irrigation block will ultimately be a closely settled, intensively cultivated and a considerable traffic producing area tributary to the Company's lines in Southern Alberta. The success of the Company's undertaking in this respect, combined with the obvious necessities of that portion of the country will, I hope, lead to the extension of irrigation projects under the auspices of the Federal or Provincial Governments which will, in the end, render the danger of crop failure in these districts practically negligible.

As indicated in the Annual Report your Directors thought it necessary to make provision for the construction of necessary additions to your Company's rolling stock. Since the report has been issued arrangements have been concluded for an Equipment Trust Agreement under which the payments for such equipment are spread over a period of twelve years. The actual amount of the Equipment Trust issue is $12,000,000. By reason of the conditions existing at the time the transaction was concluded highly favourable interest rates were secured.

You will have observed that since the issuance of the Annual Report for the year 1919 your Board has considered it desirable to apply for an amendment to the Company's Charter which will permit the increase of the number of Directors from fifteen to eighteen, should that at any time appear necessary. The Statute is purely empowering, and the amending By-Law will be submitted for your approval in the event of it being considered advisable to increase the Directorate. The purpose of any increase will, of course, be to secure a larger representation on the Board from those portions of Canada in which the Company's interests are specially important.

I look forward to immigration to Canada on a large scale and, while a period of retrenchment and financial conservatism may conceivably be the part of wisdom, your Directors have the same implicit faith in the future growth and prosperity of the country that they have always had, and also the same confidence in the ability of your Company to play an important part in its development and prosperity.

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, 1919, now submitted, be and the same is hereby adopted.

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

Resolved—That the Indenture of Lease from the Nakusp 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 railway and undertaking of the Nakusp and Slocan Railway Company from the Town of Nakusp to Three Forks with branches from Three Forks to Sandon, and from Three Forks to Retallack near Whitewater Creek, a distance of 48.47 miles, all in the Province of British Columbia, and all such branches and additions to the railways as above described as the Nakusp and Slocan Railway Company is now or may be hereafter authorized to construct, together with the appurtenances of them and of each of them, at an annual rental equal to the interest payable on the outstanding securities issued, or which may be hereafter issued by the Nakusp and Slocan Railway Company with the consent of this Company expressed in writing under its corporate seal, the total of all such securities unpaid or unredeemed, not exceeding at any time the sum of twenty-five thousand dollars ($25,000) 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 the construction of branch lines and the issue of Consolidated Debenture Stock in respect thereof, was submitted, and on motion of Sir Edmund B. Osler, seconded by Mr. Wm. C. Finley, was unanimously adopted, viz.:—

Whereas it is in the view of the Directors expedient that the following branch lines and extensions of branch lines be constructed in the near future, namely:—

1. Archive-Wymark Branch, 25 miles.

2. Rosetown Southerly Branch, 45 miles.

3. An extension of the Weyburn-Lethbridge Branch from Altawan to Manyberries, 35 miles.

4. An extension of the Consul Southeasterly section of the Moose Jaw Southwesterly Branch, of which 35 miles have been previously authorized as from Vidora Easterly, Mileage 35 to 60.

5. An extension of the Moose Jaw Southwesterly Branch from Assiniboia Southwesterly, 30 miles.

6. Leader Southerly Branch, 50 miles.

7. Duchess or Rosemary Northerly Branch, 34 miles.

8. Cutknife to Whitford Lake Branch, 40 miles.

9. An extension of the Swift Current Northwesterly Branch from Empress Northwesterly, a distance of 20 miles.

10. An extension of the Swift Current Northwesterly Branch from Sedgewick to Vegreville, 54 miles.

It is therefore Resolved—That the Directors be and they are hereby authorized to proceed with the construction of the said 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 the said branch lines and extensions of branch lines 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 the said lines the amount which the Company is or may be empowered by Statute to issue.

By-law No. 91, enacted by the Directors on the 16th day of June, 1919, was read, as follows:—

BY-LAW No. 91

The Canadian Pacific Railway Company doth hereby enact as follows:—

That By-law No. 91 of the Company is hereby repealed and the following substituted therefor:—

That the Vice-President in charge of Traffic, the Freight Traffic Manager, the Assistant Freight Traffic Manager of the Eastern Lines, the Assistant Freight Traffic Manager of the Western Lines, are, and each of them is hereby authorized from time to time to prepare and issue tariffs of the tolls to be charged, as provided by the Railway Act and amendments thereto, for the carriage of freight traffic upon the railway and vessels owned or operated by the Company, and any portion thereof; and the Passenger Traffic Manager be, and he is hereby authorized in like manner to prepare and issue tariffs of the tolls to be charged, as above provided, for the carriage of passenger traffic upon the said railways and any portion thereof, and upon the said vessels.

And on motion of Sir Vincent Meredith, Bart., seconded by Mr. Colin Campbell, it was unanimously

Resolved—That By-law No. 91 now submitted be and the same is 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, Sir John C. Eaton, Mr. Grant Hall, Sir Vincent Meredith, Bart., and Sir Augustus M. Nanton, 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 scrutineers, which declared that Sir John C. Eaton, Mr. Grant Hall, Sir Vincent Meredith, Bart., and Sir Augustus M. Nanton 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.

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.