REPORT OF THE PROCEEDINGS

AT THE

FORTIETH ANNUAL MEETING

OF THE SHAREHOLDERS OF THE

CANADIAN PACIFIC RAILWAY CO.

HELD ON

WEDNESDAY, MAY 4TH, 1921

AT THE

GENERAL OFFICES OF THE COMPANY AT MONTREAL

CANADIAN PACIFIC RAILWAY COMPANY

REPORT

OF THE PROCEEDINGS AT THE FORTIETH ANNUAL MEETING OF THE SHAREHOLDERS HELD AT MONTREAL ON WEDNESDAY, MAY 4TH, 1921.

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, 1920, which had been printed and distributed to the Shareholders, said:—

The operations of the Company during the year, the Annual Report for which is now submitted for your approval, have been conducted under conditions which were so exceptional as to costs as to make it unique in the Company's history as well as in the transportation annals of Canada. The shareholders are aware of the general conditions which so strongly influenced the results for the year in question, but I doubt if a full appreciation of them is possible save with a very intimate knowledge of the details, the aggregate of which is so vividly reflected upon the Company's revenues. The cost of labor, materials and fuel reached their peak during the year, and extraordinary added costs, such as high exchange and taxes, added their quota to the expenses.

The back pay which accrued before the increased freight and passenger rates became effective amounted to a little less than seven million dollars, and the additional amount required to pay exchange on coal and other purchases to four million dollars. The total, including provision for income taxes, involved additional costs of approximately thirteen million, five hundred thousand dollars which were charged to the expenses of the year. All these extraordinary and abnormal expenses the Company was able to absorb and pay its fixed charges and usual dividends. This result was only possible because of the excellent character of the Company's facilities provided by you in previous years at large capital expense and the possession by it of equipment used with the greatest possible efficiency, which enabled the heavy fall movement of traffic to be effected with a despatch which has rarely, I think, been equalled. I cannot speak too highly of the loyal and effective work done by the officers and men of the Company, without whose efforts such favorable results could not have been secured.

While the condition of the Company's property has never been permitted to deteriorate, due to the provision made for its upkeep to a high standard in pre-war years, there were expenditures which had to be incurred in 1920 which, except for the intensive use of equipment and the shortage of labor and material during the War, would either not have been included in the expenses for that year in their entirety or would not have had to be incurred at all. The Company's equipment was put to a great strain from 1914 to the end of 1919, and both freight and passenger business—including troop and coolie movements—was so extensive that the usual shopping programme had to be reduced because every unit was required in actual service. When these movements ceased repairs to equipment and renewals, of course, became extensive, and while I should have preferred that the work could have been postponed until price conditions were more favorable, it was necessary, unless the Company were to suffer in prestige, that the work should be gone on with as soon as possible.

About the middle of December a pronounced contraction in business took place, resulting in diminished traffic of all descriptions. This depression still continues, but by rigid economies the net results for the first three months of this year are somewhat in excess of those of the corresponding period of last year, notwithstanding the greatly increased costs of labor prevailing in 1921.

As you are aware, the parity of conditions which has existed in the United States and Canada resulted in the forced adoption in Canada of what is known as the "McAdoo Award" and amendments, and of the award of the United States Labor Board made in August, 1920. Increases in wages may have been justified at that time by the abnormal increase in the cost of living, but they were accompanied by alterations in working conditions of such a character as to impose heavy and, in the view of the companies, unnecessary burdens on the transportation agencies of North America. The combined effect of them has been to greatly increase the cost of the operations of all companies. The conditions which rendered them necessary being rapidly ameliorated, it is apparent that readjustments will be essential. The effort to secure reductions in wages and alterations in working conditions has already been commenced in the United States and is proceeding in a sane, orderly and legal manner. What is accomplished there will undoubtedly reflect on the rates of pay and working conditions in Canada. These increases in wage scales, while not the only element which entered into the increase in freight and passenger rates, were still a very outstanding and potent factor, and when the readjustment of wages takes place it is only right that the rate situation should be again reconsidered with a view to revision downward. The rates are high, but I am not one of those who believe that the existing scale of wages and consequent high freights is responsible for the present business depression; the causes of that go much deeper than the mere standard of wages paid to any given class and are world-wide. While reduction in wages does carry with it a reduced purchasing power in the individual, such reduced purchasing power is not represented by the difference in the scales of wages because of the general decrease in prices of the commodities to be purchased. Nevertheless, a reduction in both wages and freight rates would have a pronounced and beneficial effect on the general sentiment in the country through the encouragement it would give and the confidence that normal conditions had been more nearly reached.

The general trade depression has, of course, reflected itself in the results during the present year's operations of the Company's steamers, but the passenger business is well maintained and the prospects of immigration on a large scale are very promising. The construction of the new steamers for the Atlantic and Pacific, to which reference is made in the Annual

Report, has been very seriously delayed by the Joiners' Strike in Great Britain, which is still apparently far from settlement and which will defer the delivery of these steamers until at least the end of the present year. These ships are of a class that would render great service during the summer and autumn of this year, and the fact that they will not be available is to be regretted. As both the direct and indirect benefits of a continuance of an adequate service are very great it may be desirable to purchase other ships, if these can be obtained at moderate prices.

As indicated in the Annual Report, your finances are in excellent shape. While the balance in the Bank is not, of course, as large as it was at the end of the last fiscal year, the amount is nevertheless a very substantial one, and there is still unissued or undisposed of over Sixty-seven Million Dollars of Consolidated Debenture Stock the issuance of which has been heretofore authorized or that you will be asked to sanction at this Meeting. Even in the trying times during and immediately succeeding the War the progression of the Company has been steady and sure, and the Assets Statement shows an increase since 1914 of an amount in excess of One Hundred and Seventy Million Dollars.

Your Directors have recently accepted a proposal for the acquisition by London, England, interests of a substantial amount of Four Per Cent. Consolidated Debenture Stock at a price which was very favorable. This is the first application for the acquisition of Debenture Stock from England since the outbreak of hostilities in 1914, and, in the opinion of your Directors, is an incident of the utmost significance as indicating the resumption of interest in your principal capital security in Great Britain. It may conceivably be the first step towards the re-establishment of a market in England for the ranking securities of the Company which cannot but have an important influence on its future financing.

As explained in the Annual Report, you will be asked at the special general meeting to be held immediately after this Meeting to approve the issuance of Bonds, Debentures or other securities collateral to Consolidated Debenture Stock which the Company is or may hereafter be empowered to issue and to the same amount, such securities to be payable in such currency and at such times and places and bearing such interest as your Directors may think proper.

While it is not easy to designate in advance the exact purposes for which money may be from time to time required, it is thought by your Directors that your approval should be asked to the creation and issue of such securities as will enable them as conditions warrant to provide money for extensions and new steamers and also restore the cash reserves of the Company, substantial amounts of which have, during the last few years, been expended on Capital Account.

The Company's enterprise is now so extensive that in providing for normal and proper expansion large sums of money are quickly absorbed. You will, I feel sure, recognize the desirability of having your financial arrangements in such shape that your Directors can without avoidable delay secure funds for your purposes at intervals as circumstances may justify or require, and to that end will invest them with the proposed powers.

While the period of rigid economy and retrenchment has not yet passed, your Directors do not look forward to an indefinite continuance of the present commercial depression. Certain basic elements in cost have yet to be reduced, but the stimulus of restored confidence and commercial activity is not, I think, in the distant future. When it is reached and traffic approaching normal is resumed, the full effect will be felt on the Company's operations. Over-expansion and consequent financial embarrassment have caused in many localities a pessimism which is not warranted by the fundamental soundness of Canadian conditions and the country's almost unlimited natural wealth.

I have the most implicit faith in the ability of the Company to satisfy all the public demands which may be made upon it, and to meet with credit to itself and advantage to your interests the steadily advancing commercial and transportation requirements of Canada.

The report having been considered, it was moved by Mr. E. W. Beatty, seconded by Sir Herbert S. Holt, and unanimously

Resolved—That the report on the affairs of the Company for the year ended December 31st, 1920, now submitted, be and the same is hereby adopted.

The following resolution authorizing the construction of an extension of the Suffield Southwesterly Branch and the issue of Four Per Cent. Consolidated Debenture Stock in respect thereof, referred to in the Annual Report, was submitted, and on motion of Mr. Charles R. Hosmer, seconded by Mr. William C. Finley, was unanimously adopted, viz.:—

Whereas it is in the view of the Directors expedient that the Suffield Southwesterly Branch be extended in the near future northwesterly from Lomond a distance not exceeding thirty miles;

It is therefore Resolved—That the Directors be and they are hereby authorized to proceed with the construction of the said extension of the Suffield Southwesterly Branch when in their opinion conditions warrant, and that to aid in the construction and equipment of the said extension 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 the aggregate an amount equal to $30,000 per mile of the said extension.

The following resolution relating to the issue of Four Per Cent. Consolidated Debenture Stock on account of Steamships was submitted, and on motion of Sir Thomas Tait, seconded by Mr. Alfred Piddington, was unanimously adopted, viz.:—

Whereas the Company has statutory power to issue Consolidated Debenture Stock in aid of the acquisition of steam vessels to the extent of the cost thereof, upon being authorized so to do by the votes of at least two-thirds of the Shareholders present or represented at an Annual Meeting or at a Special Meeting of Shareholders duly called for the purpose;

And whereas there are now being constructed for the Company under contract the following steamships for the Atlantic and Pacific services, namely, the "Empress of Canada," 625 feet long, with beam of 77 feet, moulded depth of 53 feet, and having a gross tonnage of about 22,000 tons, and the "Montrose" and "Montclare," each of a length of 545 feet, with beam of 70 feet, moulded depth of 51 feet, and having a gross tonnage of about 15,600 tons, the aggregate cost of which steamships, including rigging, appurtenances and auxiliaries, is estimated at $22,500,000;

And whereas in order to provide funds for payment of the cost of the said steamships it is advisable, pursuant to the power above recited, to issue Consolidated Debenture Stock;

Now therefore it is Resolved—That for the purpose of paying the cost of the steamships above described, the Directors be and they are hereby authorized to issue and dispose of Consolidated Debenture Stock, bearing interest at four per cent. per annum, to such an amount as they shall deem expedient, not exceeding in the aggregate the cost of the said steamships.

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

Whereas in pursuance of By-law No. 6, Mr. Edward W. Beatty, Hon. Frederick L. Béique, K.C., Mr. Charles R. Hosmer, and Hon. William J. Shaughnessy, K.C., 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 Mr. Edward

W. Beatty, Hon. Frederick L. Béique, K.C., Mr. Charles R. Hosmer, and Hon. William J. Shaughnessy, K.C., 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 meeting was thereupon made special for the consideration of the special business mentioned in the notice convening the same, and the following resolution, authorizing the issue of Bonds, Debentures or other Securities collateral to Consolidated Debenture Stock, was submitted, and on motion of Hon. Frederick L. Béique, seconded by Mr. W. B. Blackader, was unanimously adopted, viz.:—

Whereas by an Act of the Parliament of Canada, passed at its present Session and assented to on the 3rd day of May, 1921, it was enacted that the Company, being first authorized so to do by the votes of at least two-thirds of the Shareholders present or represented at an Annual Meeting or at a Special Meeting of Shareholders duly called for the purpose, may from time to time issue bonds, debentures or other securities collateral to any Consolidated Debenture Stock which it is or may hereafter be authorized to issue and to the same amount;

And whereas it is expedient that the Company avail itself of the authority so given;

It is therefore Resolved—That the Directors be and they are hereby authorized from time to time to issue bonds, debentures or other securities, payable in such currency, at such times and places and with such interest as they may think proper, collateral to any Consolidated Debenture Stock which they are or may hereafter be authorized to issue, and to such amount as they may deem expedient, not exceeding the amount of such Consolidated Debenture Stock. Such bonds, debentures or other securities may be secured by pledge of such Consolidated Debenture Stock.

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.