REPORT OF THE PROCEEDINGS

AT THE

FORTY-FIRST ANNUAL MEETING

OF THE SHAREHOLDERS OF THE

CANADIAN PACIFIC RAILWAY CO.

HELD ON

WEDNESDAY, MAY 3RD, 1922

AT THE

GENERAL OFFICES OF THE COMPANY AT
MONTREAL

CANADIAN PACIFIC RAILWAY COMPANY

REPORT

OF THE PROCEEDINGS AT THE FORTY-FIRST ANNUAL MEETING OF THE SHAREHOLDERS HELD AT MONTREAL ON WEDNESDAY, MAY 3RD, 1922

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

The President of the Company, Mr. E. W. Beatty, 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, in moving the adoption of the report on the affairs of the Company for the year ended December 31st, 1921, which had been printed and distributed to the Shareholders, said:—

The Forty-first Annual Report, which is now submitted for your consideration and approval, indicates in a vivid way the effect on your Company's operations of the acute depression through which the business of the country passed during 1921, and it is a matter of gratification that, notwithstanding the decrease in gross earnings of $23,619,000, the economies which were effected resulted in somewhat increased net earnings and, of course, a slightly larger surplus after paying fixed charges and usual dividends on the Preference and Common Stocks. The results reflect great credit upon the ability of the officers and men of the Company and are also a tribute to the physical condition of the property which permitted reduction of expenses without in any degree affecting the efficiency with which traffic was moved. During the months of October and November especially the heavy grain traffic was transported most expeditiously, with distinct advantage to the Company's revenues.

As indicated in the report the sales of agricultural lands were relatively small, due to the general depression and the absence of the immigration of agriculturists during the year. In my opinion Canada cannot afford to be without a definite and forward immigration policy much longer. While it is urged that the depression both in agriculture and in general industry with consequent unemployment during the past winter is a reason why active immigration measures should not be taken, it must not be forgotten that there are types of immigrants that can be readily obtained and brought to Canada without the possibility of adding to the burdens of the country. The immigration of young people of British stock can be accomplished without affecting in any material degree the existing situation respecting unemployment. The immigration of domestic servants in substantial numbers may reasonably be encouraged, and the immigration of agriculturists from Northern Europe, Great Britain and the United States who can only be secured in limited numbers should be actively prosecuted. In addition, the Government would, I think, be well warranted in framing a policy designed to permit more general immigration of carefully selected types from countries, the people of which have heretofore come to this country and succeeded under Canadian conditions. It must not be forgotten that Canada's opportunities deserve wide-spread recognition, and even if the setting up of adequate machinery is now begun it will not be until 1923 that the results of the Government's activities will be felt. Unless we feel that the conditions in this country will not be improved for some considerable time to come, it would appear that the preliminary steps to obtain immigrants in substantial numbers should be taken without further delay. The Canadian Pacific for many years has been the most active colonization agency in Canada. Settlers to the number of 54,000 have been placed upon its lands alone, and the cost of the Company's activities in land selling, irrigation and colonization since its incorporation has been extremely large, amounting in the aggregate to approximately $68,000,000, an amount in excess of the total expenditure of the Dominion Government for immigration during that period.

As forecasted in the address at the last annual meeting, reductions took place during the year both in rates of wages and in freight and passenger rates. The wage reductions which became effective July 16th last were equivalent to 9.03% on then existing payrolls of the Company. The demand for further freight rate reductions is still persistent throughout Canada and to the existing scale of rates is attributed much of the present slackness in business. It is in my opinion an entirely erroneous impression that the existing freight rates are the cause rather than the result of the present economic conditions, the most important of which from a transportation standpoint is the present scale of wages and working conditions which the railways were compelled by Government authority to accept during the War. It is the view of your Directors and it has been their view for some time that the scaling downwards of freight rates should be begun with reductions on basic commodities, especially in those industries which have felt the general depression most severely. Notwithstanding the willingness of the companies to make sacrifices in their revenues in the hope that a lower scale of rates on basic commodities would give an impetus to business activity, they have been precluded from agreeing on a definite policy because of the approaching expiration on 7th July next of the provisions of the Railway Act allowing the Railway Commission to make rates irrespective of agreements, statutory or other. In 1897 an agreement was made between this Company and the Government and confirmed by Parliament whereby in consideration of the receipt by the Company of a subsidy of $3,300,000 in aid of the construction of a railway through the Crow's Nest Pass to Southern British Columbia reductions in rates on certain named commodities shipped from Eastern Canada to points in the West and on grain to Fort William were exacted with the obvious intent of assisting the colonization of the Prairie Provinces. The so-called Crow's Nest rates on the commodities specified are from 19% to 49% lower than the rates at present being charged. The intention of Parliament at that time undoubtedly was to create special rates which the Company would be entitled to collect and which would be legal though not bearing a fair relation to other rates. At that time the Canadian Pacific operated about 7,300 miles of railway, but in a desire to give equality of rates to territories contiguous to those mentioned in the statute though not supplied with railway facilities at the time the statute was passed, the Company extended the application of these Crow's Nest rates to the lines subsequently constructed or acquired so that in 1918 the rates had been applied to 13,772 miles of railway. During the period subsequent to 1897 many thousands of additional miles of railway were constructed by other companies now included in the National Railway System. The rates effective on this Company's lines were naturally put into effect on the lines of these railways so that it is safe to say that the so-called Crow's Nest rates were in practice applied to five times the mileage in operation at the time the agreement was made. The Crow's Nest scale of rates if applied literally would bring about an inequality of treatment between different parts of Western Canada which must, of necessity, favour some districts against others which now enjoy relatively equal rates. The Government desire to have the facts considered by a special committee of Parliament with particular reference to the operating costs of the railways and to the result of the application of the Crow's Nest scale upon the revenues of the National Railways and of other railways. The situation was twice reviewed by the late Government, once in 1918 when the rates were suspended by Order-in-council under the War Measures Act because of the inability of the companies (in view of the heavy costs of operation) otherwise to carry on successfully and to perform the transportation service so peculiarly essential at that time, and again in 1919 when power to deal with the rates irrespective of the provisions of special agreements was conferred upon the Railway Commission. In both instances the view of the Government apparently was that Parliament, in establishing the Crow's Nest rates, had not in contemplation the extraordinary and abnormal conditions under which the operations of the railways have been carried on in recent years or the inequalities and discriminations which might be created under the scale of rates then imposed. While considerable progress has been made in reducing expenses, there still exists a serious increase above pre-war costs. The wage scales of 1921 are higher by percentages ranging from 82% to 368% than those existing in 1898 and 1899, and the cost of principal commodities, including fuel and rails is also substantially higher, the increase in the case of rails being 92.32% and in fuel 177.5%. The operating ratio of the Company in 1897 was 57.16%, while for the year 1921 it was 82.28%. The situation is one which should have frank recognition. The matter is in the hands of Parliament which alone can deal with it because of statutory restrictions.

I regard the stability of railway rates in Canada (even if re-adjustments downwards are bound to continue until normal operating conditions are reached) as being of the greatest possible importance to all Canadian railways. For the past four years the extraordinary conditions which prevailed have compelled drastic economies and the conserving of the resources of the companies wherever possible. They have prevented the increasing of facilities and improvements in maintenance and the construction of new lines because no company would be justified in spending freely for these purposes in the absence of adequate revenues. The large railway systems of Canada, are, of course, the chief purchasers of material and supplies, and to the extent to which their purchases for any purpose, including new construction, are prevented by the uncertainty of financial return upon the money invested, a return to prosperity is retarded.

I had been hopeful that the present year would see a resumption of at least normal activity in maintenance and construction works, the necessity for which always prevails on a system the size of the Canadian Pacific. Apparently, however, we have not reached the period at which we can say that large expenditures are warranted, especially in view of the freight rate situation.

The steps preliminary to the re-adjustment of wage scales and working conditions are proceeding both in the United States and in Canada. The procedure being followed is that required by the agreements with the labor unions and by the laws of the United States and Canada. An early decision is hoped for in respect of some of the matters in dispute, but the proceedings are, of necessity protracted and decisions are not therefore reached speedily.

Gross earnings on all Canadian roads still show substantial decreases under those of the corresponding period of 1921. Crop conditions, however, so far as they can be judged at this date, are very favourable and there is a returning spirit of optimism and activity which should grow in volume if the agricultural prospects are realized.

The Company's taxation is not unnaturally increasing from year to year, approximately $10,000,000 having accrued in Federal taxes during the last five and a half years.

As indicated in the Annual Report, the finances of the Company are in splendid condition and the credit of the Company has been well maintained and is extremely high. It is, I think, of national importance that it should be so maintained.

While there are some serious and difficult problems yet to be solved, the general sentiment of the country shows a distinct improvement over that prevailing at the end of last year and the beginning of 1922. I am very hopeful that the importance of the transportation agencies of Canada being permitted to undertake their full share in the country's advancement will receive due recognition, and if it does I am convinced that the return to normal conditions will be greatly accelerated. Your Company will, as always, endeavour to perform its part with the purpose of advancing the expansion of the country agriculturally and industrially. Few institutions are so linked up with the prosperity of Canada as is the Canadian Pacific and its ability to maintain a high credit has in a large measure contributed to the support received by other Canadian enterprises. Its progression should be step by step with that of the country itself.

Since the publication of the Annual Report the Board has lost one of its members through the death of Sir John Eaton, who joined the Directorate on the 8th day of December, 1919. Sir John Eaton was in the prime of life, a man of tremendous personal influence and of extraordinarily generous qualities. His loss will be very much felt throughout Canada and particularly in the City of Toronto. His counsel and assistance were greatly appreciated by the Board and his death is deeply deplored. The vacancy created by his death has not yet been filled.

I cannot speak too highly of the morale and efficiency of the officers and men of the Company. A more loyal group of men does not, I think, exist in any corporation in the world.

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

Resolved—That the report on the affairs of the Company for the year ended 31st December, 1921, now submitted, be and the same is hereby adopted.

The following resolution relating to the lease to this Company of The Interprovincial and James Bay 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 Interprovincial and James Bay 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 Interprovincial and James Bay Railway Company from a point on the Canadian Pacific Railway at or near Lumsden's Mill to or towards the Des Quinzes River, a distance of about seventy-seven miles, all in the Province of Quebec, and all such branches and additions to the railway as above described as The Interprovincial and James Bay 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 Interprovincial and James Bay 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 Fifty Thousand Dollars ($50,000.) 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.

By-law No. 47, Sub-Section D, enacted by the Directors on the 19th day of December, 1921, was submitted as follows:—

BY-LAW NO. 47—SUBSECTION D.

RESPECTING CONSOLIDATED DEBENTURE STOCK.

The Canadian Pacific Railway Company enacts as follows:—

1. Certificates of Ownership of Consolidated Debenture Stock, may if the Directors so determine with respect to any

Stock issued, be made in bearer form transferable by delivery, with coupons for interest payable to bearer, and any holder of Stock with respect to which the Directors shall have so determined shall on surrender of a certificate in bearer form with all unmatured coupons be entitled to receive in exchange therefor a certificate for the same amount of Stock registered in his name bearing interest payable at the same rate, time and place but without coupons and any such registered certificate may in like manner be exchanged for a bearer certificate for the same amount of Stock bearing interest coupons payable to bearer. After all interest coupons attached to a certificate in bearer form shall have matured, the holder of such certificate, upon presentation and surrender thereof shall be entitled to a new certificate bearing coupons for future interest.

And on motion of Mr. Charles R. Hosmer, seconded by Mr. William C. Finley, it was unanimously

Resolved—That By-law No. 47, Sub-Section D, now submitted be and the same is hereby approved and adopted.

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

Whereas in pursuance of By-law No. 6, Mr. John K. L. Ross, Rt. Hon. Lord Shaughnessy, K.C.V.O., and Sir Thomas Skinner, Bart., Directors of the Company retire from office at this Meeting;

And whereas three 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 three 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. John K. L. Ross, Rt. Hon. Lord Shaughnessy, K.C.V.O., and Sir Thomas Skinner, Bart., 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.

President.

E. Alexander

Secretary.

At a meeting of the Board held immediately after the Shareholders' meeting, Rt. 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 Vincent Meredith, Bart,
Sir Edmund B. Osler,
Rt. Hon. Lord Shaughnessy, K.C.V.O.