CANADIAN PACIFIC RAILWAY COMPANY

REPORT OF PROCEEDINGS

AT THE

ANNUAL MEETING OF SHAREHOLDERS

MAY 2, 1928

CANADIAN PACIFIC RAILWAY COMPANY

REPORT

OF THE PROCEEDINGS AT THE FORTY-SEVENTH ANNUAL MEETING OF THE SHAREHOLDERS HELD AT MONTREAL ON WEDNESDAY, MAY 2, 1928

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, 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, Mr. E. W. Beatty, in moving the adoption of the report on the affairs of the Company for the year ended December 31, 1927, which had been printed and distributed to the shareholders, said:—

There is nothing in the Annual Report which you have had before you which seems to require very extended comment from me, particularly in view of the rather comprehensive review of the Company's activities presented at the last Annual Meeting. The results of the year's operations accurately reflect the conditions which prevailed during that period and, viewed from the standpoint of a sufficient margin in net earnings after charges and dividends, they cannot be considered entirely satisfactory. The decrease in rates and increase in wages granted had their inevitable effect upon the earnings of your Company and, in addition, expenditures on equipment and maintenance of way and structures were substantial. The gross earnings for the first three months of this year show an increase of $3,864,778 and net earnings an increase of $1,651,672. If the same relative increase is maintained during the balance of the year the surplus after charges will be ample to take care of the increased dividend requirements for the year.

While it is impossible to forecast the possible crop yields at this time it is encouraging to be able to advise you that the prospects are distinctly favourable. The seed bed is considered to be in better condition than at this time last year and there is ample moisture in the soil. The area of new land broken this year totalled 1,385,437 acres, an increase of 257,701 acres as compared with last year. The total acreage prepared for crop shows an increase of 920,708 acres, or 5.9%. The improved conditions, agriculturally speaking, are also evidenced by the sales of farm lands for the first three months, which have been almost double those of the corresponding period of last year.

I have been accustomed in previous addresses to the shareholders to deal rather fully with the subject of freight rates, because of their vital importance to your interests, and while little in addition need be said at this time, it is only proper that I should point out that the net earnings of the Company during the past year represented a return on the investment in the property of only 4.04% and that the percentage of surplus from railway earnings to the amount invested in the property was 14/100 of one per cent. If your Company had received the average return on investment of Class "1" railways in the United States during 1927, its net operating revenue would have been $42,962,000, and if it had received the fair rate of return permitted under the Transportation Act of the United States, its net earnings would have amounted to $56,143,000. Putting it in still another way, if your properties were valued on the basis generally adopted in the United States, the net earnings would have represented probably less than three per cent. on such valuation. It is very difficult to bring home to the average business man the realization of just how low a return the Company's earnings involve because, while it is known to most investors, it is not generally appreciated that the maintenance of your present dividends of seven per cent. from rail earnings is due entirely to the extraordinarily low capitalization of the Company. The conservative policy adopted in former years of putting surplus earnings back into the property has, of course, been a tremendous advantage to your interests in times of light traffic and lower earnings, but undoubtedly the point has now been reached when no further diminution in these earnings can safely be made. The rates on grain were again substantially reduced last year. These losses and the effect of the increased wage scales can only be met in one of two ways, either by increased gross earnings due to increase in traffic, or by increases in freight rates Naturally, we hope that the former will supply the deficiency, but if it should fail to do so, your Directors would not hesitate to appeal to the Railway Commission for the necessary relief. They have good grounds for doing so even under present conditions when the disparity between the rates in Canada and those charged for similar services in the United States is taken into consideration. The situation will be carefully watched and appropriate action taken as the necessity arises.

Your Company continues to be the heaviest taxpayer in Canada, the total of Federal, Provincial and Municipal taxes paid during 1927 amounting to $7,358,493, which is equal to $20,160 per day, $840 per hour and $14.00 per minute.

The confidence in the country's progress to which I have given expression on other occasions has been in no degree lessened by the lower revenues of last year, the reasons for which are well known. There is a very solid opinion throughout the country that, given good crops and active immigration, our period of prosperity should extend over several years. It is conceded that our immigration activities have not given satisfactory results, and a committee of the House of Commons is now investigating the question with a view to suggesting measures to improve the situation. The only disquieting feature is the impression which prevails in some circles that because we have made progress in recent years we should be content, and that a steady flow of people to Canada, even if confined largely to agricultural classes, is not essential. No view could, in my opinion, be more erroneous. The admission of settlers with sufficient preliminary training to enable them to embark upon farming operations is so obvious as to require no elaboration.

We have millions of acres of good arable land within reasonable distance from railways and admittedly they can add nothing to the country's wealth unless occupied and cultivated. The products of our farm lands enjoy an enviable reputation in the markets of the world and the impetus given industry through greater agricultural prosperity can scarcely be over-estimated. Therefore, in conjunction with the Government and various immigration agencies, your Company is continuing its activities in the selection, transportation and placement of intending settlers.

As indicated in the report the results of your Steamship operations for the year showed improvement. It is essential, as in its other activities, that in this branch of the service the Company keep pace with the requirements of the trade, and to this end its obsolete tonnage is being gradually disposed of and as vessels reach the age limit they are being replaced by larger and more modern ships. In anticipation of the necessity of replacing one of the older first-class vessels on the Atlantic, your Directors have decided to ask your approval to the construction of an additional vessel, the contract to be let now. It is also considered essential that a fortnightly service should be re-established on the Pacific, the future trade on which offers great possibilities, and you will be asked to authorize the construction of a new vessel of the same general type as the "Empress of Canada" for that service.

In the conduct of operations of the magnitude of those of your Company the most perfect accounting system possible to be obtained is, of course, highly desirable, and we have taken a not unnatural pride in the efficiency of the system inaugurated many years ago. I know it will be gratifying to the shareholders, as it was to the Directors, to learn that in a special report made covering five years of work in the checking and auditing of agency accounts, the amount written off owing to defalcations of agents was $237.05, while during this period the total amount credited to agents by the Treasurer exceeded $1,032,000,000. This result could only have been obtained by the most stringent scrutiny, and I cannot help but give public expression to a fact so creditable alike to the agents, the efficiency of the supervising officers and to the system itself. I doubt if there is any Company which can show a cleaner record.

Early this year we lost by death one of our older officers in the passing of Mr. I. G. Ogden, who was initially responsible for the establishment of the accounting system presently in existence in the Company, and a little later, Mr. C. E. E. Ussher, one of the most experienced passenger traffic officers in America. Both of these gentlemen had performed remarkably effective work over a long term of years and although they had passed the age of retirement they remained in office until death. Mr. John Leslie, formerly Vice-President and Comptroller, has been promoted to the Vice-Presidency made vacant through Mr. Ogden's death.

One of the characteristics of the Company, never perhaps so apparent as during the last few years of intensive competition with a governmentally-owned system, has been the loyalty of its officers and men. That loyalty, so conspicuous among the older officers, has fortunately been inherited by the younger officers and men of all ranks, and I think I can safely assure you that at no time in its history has the morale been higher and the striving for efficiency more unremitting. It is a great personal pleasure to me to testify periodically to the ability and loyalty of our officers and men, which I do without hesitation and without reserve.

During the discussion which followed the submission of the Report by the President, Mr. Huntly R. Drummond referred to the paragraph relating to the hotel situation in Halifax and stated that there had appeared in the public press statements which indicated that the Canadian National Railway Company did not wholly agree with the report as to the negotiations which had been conducted between the two Companies. The President replied as follows:

"Anything I might say would only be in repetition of the statement contained in the Annual Report and the official statement in the press. The Shareholders may be assured that both are literally accurate in every respect. We have had some experience in and knowledge of the operation of hotels in Canada over a great many years and, in the view of the directors and myself, the construction of a second hotel in Halifax at this time is quite unwarranted and unfair to the private interests who have invested in the Lord Nelson Hotel, the construction of which is now well advanced. Needless to say, the Company would welcome any joint arrangement which would avoid the duplication of hotel facilities in Halifax."

The Report was unanimously adopted upon the following resolution which was moved by Mr. E. W. Beatty and seconded by Sir Herbert S. Holt, viz:—

Resolved—That the report on the affairs of the Company for the year ended 31st December, 1927, now submitted, be and the same is hereby adopted, and that the expenditures on capital account reported and recommended therein be and the same are hereby approved and authorized.

The following resolution relating to the lease to the Company of a portion of the St. Johnsbury and Lake Champlain Railroad was submitted and, on motion of Mr. William C. Finley, seconded by Mr. J. H. Shearing, was unanimously adopted, viz.:—

Resolved—That the Lease, dated the first day of August, 1927, whereby the St. Johnsbury and Lake Champlain Railroad Company demised to this Company that portion of the St. Johnsbury and Lake Champlain Railroad extending from the Connecticut River in the Town of Lunenburg, in the State of Vermont, to the Village of St. Johnsbury, a distance of about twenty-two miles, for the term of ten years commencing August 1, 1927, and thereafter until terminated by six months' notice from either party, at an annual rental of $25,000, be and the same is hereby sanctioned and approved and the execution and delivery thereof by the Company ratified and confirmed.

The following resolution relating to the under-lease to the Maine Central Railroad Company of a portion of the St. Johnsbury and Lake Champlain Railroad was submitted and, on motion of Mr. W. B. Blackader, seconded by Mr. George Hogg, was unanimously adopted, viz.:—

Resolved—That the Under-lease dated the first day of August, 1927, whereby the Company demised to the Maine Central Railroad Company that portion of the St. Johnsbury and Lake Champlain Railroad extending from the Connecticut River in the Town of Lunenburg, in the State of Vermont, to the Village of St. Johnsbury, a distance of about twenty-two miles, for the term of ten years commencing August 1, 1927, and thereafter until terminated by six months' notice from either party, at an annual rental of $25,000, be and the same is hereby sanctioned and approved, and the execution and delivery thereof by the Company ratified and confirmed.

The following resolution relating to the agreement with the Canadian National Railway Company covering the joint use of line between Knee Hill and Rosedale, Alberta, was submitted and, on motion of Mr. William McMaster, seconded by Dr. J. C. Patton, was unanimously adopted, viz.:—

Resolved—That the Agreement, dated 13th June, 1927, between the Company and the Canadian National Railway Company, whereby the Company acquired the right to use that part of the Canadian National line between Knee Hill and Rosedale, Alberta, on the basis of paying one-half the interest charge on Capital Account and a wheelage proportion, with a minimum of 20%, of the maintenance and operation expense, be and the same is hereby sanctioned and approved and the execution and delivery thereof by this Company ratified and confirmed.

The following resolution relating to the agreement with the Canadian National Railway Company covering the joint ownership and use of line between Rosedale and Bull Pound Creek, Alberta, was submitted and, on motion of Mr. D. Forbes Angus, seconded by Mr. J. E. Hayden, was unanimously adopted, viz.:—

Resolved—That the agreement, dated 13th June, 1927, between the Company and the Canadian National Railway Company, whereby provision is made for the construction by this Company of a line to be jointly owned and used by both Companies between Rosedale and Bull Pound Creek, Alberta, the Canadian National to reimburse this Company for one-half of all capital expenditures, and to pay a car mileage proportion, with a minimum of 20%, of the maintenance and operation expense, be and the same is hereby sanctioned and approved and the execution and delivery thereof by this Company ratified and confirmed.

The following resolution relating to the agreement with the Canadian National Railway Company for the joint use of line between Port McNicoll and Midland, Ontario, was submitted and, on motion of Mr. M. C. Oswald, seconded by Mr. J. K. L. Ross, was unanimously adopted, viz.:—

Resolved—That the Agreement, dated 21st February, 1928, between the Company and the Canadian National Railway Company, whereby the Company obtained the right to use that part of the line of the Canadian National between a point near Port McNicoll and its terminus in the Town of Midland, Ontario, on the basis of paying one-half the interest charge on Capital Account and a wheelage proportion, with a minimum of 20%, of the maintenance and operation expense, be and the same is hereby sanctioned and approved and the execution and delivery thereof by this Company ratified and confirmed.

The following resolution relating to the purchase of the abandoned railway of the Hereford Railway Company was submitted and, on motion of Mr. William Leggat, seconded by Lt.-Col. William A. Grant, was unanimously adopted, viz.:—

Resolved—That the purchase of the abandoned railway of the Hereford Railway Company constructed from the Vermont line near Beecher Falls to Lime Ridge, Quebec, a distance of fifty-three miles, for $46,378, subject to the condition that only the line between Cookshire and Malvina, 22.48 miles, be operated, the remainder to be dismantled, be and the same is hereby approved, ratified and confirmed.

The following resolution relating to The Edmonton, Dunvegan & British Columbia Railway and the Central Canada Railway was submitted, and, on motion of Mr. Alister F. Mitchell, seconded by Hon. Frederick L. Beique, K.C., was unanimously adopted, viz.:—

Resolved—That the Directors be and they are hereby authorized to acquire jointly with the Canadian National Railway Company, on such terms and conditions as they may deem advisable, the undertakings of The Edmonton, Dunvegan & British Columbia Railway Company, and the Central Canada Railway Company, either by purchase of their capital stocks or by purchase or lease of their assets and franchises.

The following resolution relating to the agreement for the purchase of the Capital Stock, etc., of the Lacombe & North Western Railway Company was submitted, and, on motion of Mr. George B. Fraser, seconded by Mr. W. R. Miller, was unanimously adopted, viz.:—

Resolved—That the agreement between His Majesty the King, in the right of the Province of Alberta, and this Company, dated the twenty-ninth day of February, 1928, providing for the purchase by the Company of the Capital Stock, railway and undertaking of the Lacombe and North Western Railway Company for the sum of $1,500,000, the Company assuming as from the date of transfer payment of certain bonds issued by the Lacombe and North Western Railway Company aggregating in principal amount $273,700, and bearing interest at five per cent. per annum, the Vendor to discharge all other debts, obligations and liabilities of the Lacombe and North Western Railway Company; the Company undertaking also to construct an extension of the said railway to Telfordville, be and the same is hereby approved, ratified and confirmed.

The following resolution relating to the lease of the Lacombe and North Western Railway was submitted and, on motion of Mr. A. R. W. Plimsoll, seconded by Mr. F. W. Molson, was unanimously adopted, viz.:—

Resolved—That the Directors of the Company be and they are hereby authorized, whenever it shall be competent to the Company to do so, to take a lease from the Lacombe and North Western Railway Company for a term of nine hundred and ninety-nine years of the whole of that Company's railway as now constructed from Lacombe, in the Province of Alberta, to Breton, in the same Province, a distance of 71.56 miles, and all such extensions and branches of the said railway as the Lacombe and North Western Railway is now or may hereafter be authorized to construct, at an annual rental equal to the interest payable on the present outstanding bond issue of that Company amounting to $273,700, bearing interest at five per cent. per annum, and on all bonds carrying interest at a rate not exceeding five per cent. per annum, payable half-yearly, which the Lacombe and North Western Railway Company may issue at the request of this Company expressed in writing under its Corporate Seal, the payment of such interest being guaranteed by this Company, the aggregate of all such bonds not to exceed at any time the rate of $40,000 per mile of railway constructed or under contract to be constructed; the said lease to be in the form of the draft now submitted to this meeting, endorsed by the Secretary for the purpose of identification.

And it is 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 as they may deem proper, but not altering the substance thereof as above described.

And it is further resolved—That the Directors be and they are hereby authorized to issue Consolidated Debenture Stock for the purpose of satisfying or acquiring the bonds which the Lacombe and North Western Railway Company shall so issue at the request of this Company and the payment of the interest upon which shall have been so guaranteed by this Company, provided that the annual charge for interest on such Consolidated Debenture Stock shall at no time exceed in amount that of the interest on such bonds so guaranteed by this Company.

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. Huntly R. Drummond, seconded by Rt. Hon. Lord Shaughnessy, K.C., was unanimously adopted, viz.:—

Whereas it is in the view of the Directors expedient that the undermentioned portions of branch lines be constructed in the near future, that is to say:

1. Swift Current Northwesterly Branch (Alberta) Willingdon to Edmonton........................70.0 miles
2. Moose Jaw Southwesterly Branch (Saskatchewan) Mileage 109 to 146..............................37.0 "
3. Aikins Northerly Branch (Saskatchewan)—Mileage 0 to 20..20.0 "
4. Hatton Northeasterly Branch (Saskatchewan) Mileage 0 to 18.....................................18.0 "
5. Leader Southerly Branch (Saskatchewan)—Pennant Southwesterly..................................24.0 "
6. Fife Lake Branch (Saskatchewan)—Mileage 43 to 63.20.0 "
7. Archive-Wymark Branch (Saskatchewan)—Mileage 62 to 74..12.0 "
8. Unwin Westerly Branch (Saskatchewan-Alberta) Mileage 0 to 20...................................20.0 "
9. Rosetown Northerly Branch (Saskatchewan)—Mileage 21 to 45.....................................24.0 "
10. Gem Colony Branch (Alberta)—Mileage 8.5 to 11.... 2.5 "
11. Lloydminster Easterly Branch (Saskatchewan) Mileage 0 to 25...................................25.0 "

It is therefore resolved—That the Directors be and they are hereby authorized to proceed with the construction of the said portions of the said branch lines when in their opinion conditions warrant, and that to aid in the construction and equipment of the said portions of the said 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 the amount which the Company is or may be empowered by statute to issue in respect of the said branch lines.

The following resolution respecting the issue of Consolidated Debenture Stock in respect of Steamships was submitted and, on motion of Sir Frederick Williams-Taylor, seconded by Mr. Hayter Reed, was unanimously adopted, viz.:—

Whereas the Company has statutory power to issue Consolidated Debenture Stock to aid in the acquisition of steam vessels not exceeding in amount 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 has been acquired for the British Columbia Coastal service a first-class 18 knot triple screw turbine oil burning passenger steamship of 290 feet length and 48 feet breadth, known as the "Princess Elaine," at a cost of $583,000;

And whereas there are now being constructed for the Company under contract two first-class 18 knot twin screw geared turbine oil burning passenger and cargo steamships of 596 feet length and 75 feet breadth for the Atlantic service, at an estimated cost of $9,000,000, and a single screw 16 knot oil burning passenger and cargo steamship 250 feet in length, 48 feet in breadth for the British Columbia Coastal service, at an estimated cost of $550,000;

And whereas it is deemed advisable that contracts be entered into for the construction of two additional first-class passenger and cargo steamships, one for the Atlantic service to be in general design similar to the "Empress of France," but of somewhat greater tonnage and speed, and the other for the Pacific service to be of an improved "Empress of Canada" type;

Now therefore be it 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 but not exceeding in the aggregate the cost of the said steamships.

The meeting then proceeded to the election of Directors and, on motion of Mr. E. W. Beatty, seconded by Sir Herbert S. Holt, the following resolution was unanimously adopted, viz.:—

Whereas in pursuance of By-law No. 6, Mr. Grant Hall, Sir Vincent Meredith, Bart., Mr. E. R. Peacock and Mr. W. N. Tilley, 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. W. R. Miller and Lt.-Col. William A. Grant 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 by a unanimous vote Mr. Grant Hall, Sir Vincent Meredith, Bart., Mr. E. R. Peacock and Mr. W. N. Tilley, K.C., were elected Directors for the term of four years, and the report was adopted.

The proceedings then terminated.

E. W. Beatty

Chairman.

E. Alexander

Secretary.

At a meeting of the Board held immediately after the Shareholders' meeting Mr. E. W. Beatty was re-elected Chairman and President of the Company, and Mr. Grant Hall, Vice-President, and the following were appointed the Executive Committee:—

Mr. E. W. Beatty,
Mr. Grant Hall,
Sir Herbert S. Holt,
Sir Vincent Meredith, Bart.,
Mr. F. W. Molson,
Mr. W. N. Tilley, K.C.