# CANADIAN PACIFIC RAILWAY COMPANY

## REPORT OF PROCEEDINGS

AT THE

## ANNUAL MEETING OF SHAREHOLDERS

MAY 7, 1930

# CANADIAN PACIFIC RAILWAY COMPANY

## REPORT

OF THE PROCEEDINGS AT THE FORTY-NINTH ANNUAL MEETING OF THE SHAREHOLDERS HELD AT MONTREAL ON WEDNESDAY, MAY 7, 1930

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, 1929, which had been printed and distributed to the shareholders, said:—

Extended comment on the results of the past year will probably not be necessary in consequence of the comprehensive statement of the Company's operations contained in the annual report.

The results may, I think, be considered reasonably satisfactory in view of the traffic conditions which prevailed during the last four months of the year. That these conditions have not materially altered is indicated by the results of the operations for the first three months of this year, showing as they do a decrease in gross earnings of $8,931,000, and a decrease in net earnings of $3,957,000.

As was to have been expected, the reduced movement in grain which was responsible for the lower earnings during the latter part of 1929 is still the principal factor in traffic decreases, an analysis of the first quarter's results indicating that of the total decrease for that period, $5,226,925 is due to the lighter movement of grain, and $3,704,762 to the reduced movement of general merchandise in consequence of the lesser purchasing power in the country.

The expenses of the Company have been reduced where possible, and will be still further reduced unless traffic conditions improve.

As the shareholders are aware, Western Canada suffered from lack of moisture during the fall months of 1929 and, in consequence, the opening of spring found the soil drier than in a normal year. This condition was somewhat relieved so far as surface moisture is concerned by heavy and general falls of snow and rain during April, but further precipitation will be required during May and June before a good crop can be said to be assured.

I do not need to remind the shareholders that the conditions which have so seriously affected the Company's traffic are quite beyond control and that the sole method of meeting them is by strict economy and exceptional efforts on the part of the officers and men. There is, I am happy to say, no evidence that the organization is failing in any respect to maintain the property and, at the same time, discharge its important transportation duties with great efficiency.

When dealing with the question of expenses during periods when traffic conditions are acutely subnormal, I consider it to be my plain duty to present as frankly and as accurately as I can the exact situation to the shareholders. I am under no illusions as to the policies the Company must follow when the traffic, to carry which your equipment and facilities have been built up to an extraordinarily high state of effectiveness, is temporarily non-existent, and I perhaps may be pardoned if I remind you that in this respect the Company's position is not the same as that of the Government-owned system. It has been stated from authoritative sources on behalf of the latter that: "Having regard also for what was thought to be the temporary character of reduced traffic, it was considered unwise and indeed opposed to national interests to embark upon a wholesale policy of retrenchment which would throw many hundreds of wage-earners out of employment, with attendant economic disadvantages. Consequently, while added prudence in expenditures was immediately brought to bear, the company exercised a restraint with regard to measures which conceivably might have created a worse and more permanent condition of depression." In other words, that reductions in staff were not, in the case of that company, considered advisable and that the Government system would maintain men in employment at the public expense under conditions which demand measures of retrenchment in the case of a commercial corporation. Nothing perhaps emphasizes more clearly the fundamental difference in the theory and method of operation of the two properties than this, and it is, of course, only obvious to state that no such policy could be adopted under the conditions existing in Canada to-day by any private company, no matter how broad and humane its policies were. We are of necessity forced to recognize the inevitable consequence of lack of business upon the services which the Company has to perform. The reductions in our gross earnings during the past eight months are heavy, amounting in the aggregate to $34,980,000. Without traffic to move there is an inevitable diminution in work to be done, both in train service and in shops, and in such a situation prudent and economic adminis-tration are requisite.

The situation brings into strong relief the narrow margin of surplus which exists under the present Canadian scale of freight rates, even in prosperous times, and in respect of the operations of the strongest and most efficiently operated company. The shareholders will not be surprised, in view of the figures quoted in the annual report, to know that the net operating revenue for the year amounted to 3.9 per cent. on their investment in railway property and that the surplus from railway operations was of very modest character. It is only fair to point out that if the Company had received the fair rate of return permitted under the Transportation Act of the United States its net earnings for 1929 would have been over twenty million dollars in excess of what they actually were.

The credit of the Company is very high, and properly so. It is an inescapable obligation of your directors and officers that it should remain so, not only in your interests, but in order that the integrity of the property and its strength as a going concern should be at all times maintained. It would be a happy situation if the margin of earnings over expenses were sufficiently generous to permit the Company to meet emergent and unusual conditions without restriction of services or reduction of staff, but so long as this condition does not exist we have no alternative but to observe the immutable laws of sound economics, both in the interest of the permanent maintenance of this enterprise and to avoid the consequences which would inevitably follow its position being even indirectly menaced.

As I have stated, the annual report contains a comprehensive and accurate picture of the operations for the year just closed, and in the observations I am accustomed to make when moving the adoption of the report it has been my endeavor to present a fair picture of the conditions under which the operations of the Company have been conducted since the close of the fiscal year and an appreciation of the factors which will influence those operations for the balance of the current year. The present conditions are effectively reflected in the result of the business done during the first quarter and the reasons for them have been stated. There is no general or widespread depression in Canada, though several factors, principally the failure to market our grain, have contributed to a slowing up of freight traffic. There is not, however, anything of a fundamental character which should prevent the return of normal business conditions within the next few months. Indeed, we have all been hopeful that the first, and perhaps most essential change, both because of its psychological as well as its commercial effect, namely, the free movement of grain out of the country, would be in evidence during this or next month. If this movement begins, I feel reasonably assured that the effect will be a gradual betterment in conditions, and, granted normal crops, the fall business should show an improvement over that of last year. It is not, I think, reasonable to assume that the same difficulties in marketing of the grain will be experienced this year, and if this is so, Canada has only a short step to take to reach a position of healthy and general prosperity. It is probably too early to estimate the possible results of the tariff policies recently announced by the federal authorities, but it is hoped that they will result in advantage to Canadian industries and in the expansion of Canadian trade.

One of the most gratifying factors of our present situation has been that the combination of unusual conditions has failed to shake the general confidence throughout Canada. The strength of the country has been very effectively proven, and I for one do not view future prospects with any degree of apprehension, notwithstanding that, in some particulars, and during the past eight months, the situation has been obscure.

As you are aware, there has been great expansion in the Company's activities in the past decade, and you will be glad to know that the results, both in returns to the Company and in the maintenance of its high position in the transportation world, have justified the policies of the directors which received your approval.

The programme for the coming year is, while substantial, only an evidence of growth. While some of the expenditures are for new work, the largest proportion is for necessary extensions to existing facilities and a continuance of branch line construction in proven territory.

As I mentioned in an earlier part of my remarks, the officers and men of the Company met the quick change in conditions of last fall with characteristic energy and ability. Our relations with our employees are harmonious, and there is a mutual respect for the viewpoint and the interests of the men on the one hand and of the Company on the other, which is very gratifying. The longer I remain in the corporation, the more do I appreciate the splendid efficiency and loyalty of our officers and men, and I am glad of the opportunity which the meeting of the shareholders offers me to give expression to my regard for them and my appreciation of their efforts in the interest of the property and its owners.

The Report was unanimously adopted upon the following resolution which was moved by Mr. E. W. Beatty and seconded by Hon. Frederick L. Beique, K.C., viz.:—

*Resolved*—That the Report on the affairs of the Company for the year ended December 31, 1929, 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 Northern Alberta Railways was submitted and, on motion of Mr. William C. Finley, seconded by Mr. Samuel M. Baylis, was unanimously adopted, viz.:

*Resolved*—That the agreement, dated July 1, 1929, made between the Company and the Canadian National Railway Company as assignors and the Northern Alberta Railways Company as assignee, whereby the assignors sold and transferred to the assignee the railways and undertakings of The Edmonton, Dunvegan and British Columbia Railway Company, the Central Canada Railway Company, the Alberta and Great Waterways Railway Company, the Central Canada Express Company and the Pembina Valley Railway, purchased under agreement with the Government of Alberta, dated February 6, 1929, and the assignee assumed all the obligations of the purchasers under that agreement, be and the same is hereby approved, ratified and confirmed.

*And resolved*—That the Directors be and they are hereby authorized to issue and dispose of Consolidated Debenture Stock for the purpose of acquiring one-half of the bonds, debentures or other securities at any time issued by the Northern Alberta Railways Company, provided always that the annual charge for interest on such Consolidated Debenture Stock shall at no time exceed in amount the interest on the securities so acquired.

The following resolution relating to the Algoma Eastern Railway Company was submitted and, on motion of Mr. Arthur Terroux, seconded by Dr. J. C. Patton, was unanimously adopted, viz.:—

*Resolved*—That the agreement made on the first day of March, 1930, between the Lake Superior Corporation and the Company providing for the purchase of the capital stock of the Algoma Eastern Railway Company comprising ten thousand shares of preferred stock and twenty thousand shares of common stock, at the uniform price of one hundred and ten dollars per share, be and the same is hereby approved, ratified and confirmed, and the Directors are hereby authorized to enter into such working arrangements with the Algoma Eastern Railway Company as they may deem advisable pending the execution of a formal lease of the said railway to this Company.

The following resolution relating to the lease of the Midland Simcoe Railway was submitted and, on motion of Mr. Henri Jonas, seconded by Mr. J. H. Shearing, was unanimously adopted, viz.:—

*Resolved*—That the Indenture of Lease from The Midland Simcoe 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 nine hundred and ninety-nine years, the railway and undertaking of The Midland Simcoe Railway Company, including the section of railway which has been constructed extending from a point at or near King Street in the Town of Midland, thence in a westerly direction to a junction with the line of the Canadian National Railways at or near Quebec Street in the said Town, and also the section of railway which has been constructed extending from the terminus of the Canadian National Railways at or near the boundary between Lots one hundred and nine (109) and one hundred and ten (110), Concession one (1), Township of Tay, thence in an easterly and northeasterly direction to a point in Lot one hundred and twelve (112), Concession two (2), Township of Tay, all in the Province of Ontario, and all such branches and additions to the railway as above described as The Midland Simcoe Railway Company is now or may be hereafter authorized to construct, together with the appurtenances of them and each of them, at an annual rental equal to the interest payable on the outstanding securities issued, or which may hereafter be issued by The Midland Simcoe 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 limit of bonds which the lessor is entitled by law to issue in respect of its railway constructed or to be constructed, 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 authorizing the construction of branch lines and the issue of Consolidated Debenture Stock in respect thereof was submitted and, on motion of Mr. M. C. Oswald, seconded by Mr. George Hogg, was unanimously adopted, viz.:—

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

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|---|---|---|
| Acme Northwesterly; Mileage 25 to 28 | 3 | miles |
| Crossfield Northwesterly | 30 | " |
| Cutknife-Carruthers | 3.5 | " |
| Dunelm Southwesterly | 25 | " |
| Rock Glen Westerly | 25 | " |
| Prince Albert-Lac la Biche; Mileage 50 to 90 | 40 | " |
| Asquith-Cloan; Mileage 28 to 45 | 17 | " |
| Sudbury Basin Branch | 6 | " |
| Isle Perrot Branch | 7 | " |
| Wolfe's Cove Branch | 1.75 | " |

*It is therefore resolved*—That the Directors be and they are hereby authorized to proceed with the construction of the said branch lines and portions of branch lines when in their opinion conditions warrant, and that to aid in the construction and equipment thereof 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 authorizing the issue of Consolidated Debenture Stock in respect of the new steamship for service between Saint John and Digby was submitted and, on motion of Mr. William Leggat, seconded by Mr. J. E. Hayden, was unanimously adopted, viz.:—

*Whereas* there is now being constructed for the Company under contract, at an estimated cost of $1,094,700, a twin screw oil-burning passenger and cargo steamship 332 feet in length, 50 feet 6 inches in breadth and 18 feet in depth for service between Saint John, New Brunswick, and Digby, Nova Scotia, and to be known as "Princess Helene."

*Now therefore be it resolved*—That for the purpose of paying the cost of the steamship above described the Directors be and they are hereby authorized to issue and dispose of Consolidated Debenture Stock to such an amount as they shall deem expedient, but not exceeding in the aggregate the cost of the said steamship.

The following By-law, increasing the number of the Directors of the Company, was read:

By-Law No. 57

*Whereas* by Act of Parliament it is provided that the number of Directors of the Company shall be such, not exceeding eighteen, as shall be fixed by By-law, and may be altered from time to time in like manner;

*And whereas* it is expedient that the present membership of the Board should be increased.

*Therefore* the Canadian Pacific Railway Company enacts as follows:—

1. By-law No. 6 is hereby amended by striking out the word "seventeen" in the first line thereof and substituting therefor the word "eighteen."

2. That the additional Director herein provided for shall be elected to hold office until the Annual Meeting in 1932 and thereafter for the period fixed by By-law No. 6.

And on motion of Mr. W. B. Blackader, seconded by Lt.-Col. William A. Grant, it was

*Resolved*—That By-law No. 57 enacted by the Board of Directors on the twelfth day of November, 1929, fixing the number of Directors at eighteen, be and the same is hereby approved, ratified and confirmed.

The following resolution relating to the par value of shares of Ordinary Capital Stock of the Company was submitted and, on motion of Sir Frederick Williams-Taylor, seconded by Mr. F. L. Wanklyn, was unanimously adopted, viz.:—

*Resolved*—That the following By-law enacted by the Directors on the seventh day of May, 1930, be and the same is hereby approved, ratified and confirmed:—

By-Law No. 58

(1) The par value of shares of Ordinary Capital Stock of the Company is hereby changed from one hundred dollars each to twenty-five dollars each. Every person holding a share or shares of the par value of one hundred dollars each shall hereafter be deemed to be the holder of the same aggregate amount of the stock divided into shares of twenty-five dollars each, and, on surrender of the share certificate or share certificates held by him, shall be entitled to receive in exchange therefor a new certificate or certificates for the same aggregate amount of the stock expressed in shares of twenty-five dollars.

(2) This By-law shall come into force on the second day of October, 1930.

The meeting then proceeded to the election of Directors and, on motion of Mr. E. W. Beatty, seconded by Colonel Frank S. Meighen, C.M.G., the following resolution was unanimously adopted, viz.:—

*Whereas* in pursuance of By-law No. 6, Sir Charles Gordon, G.B.E., Mr. Ross H. McMaster, Rt. Hon. Reginald McKenna, Mr. James A. Richardson and Mr. W. J. Blake Wilson, Directors of the Company, retire from office at this meeting;

*And whereas* five 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;

*And whereas* the Board of Directors having been by By-law No. 57 increased in number from seventeen to eighteen, it is necessary that one additional Director be elected at this meeting for the term of two years;

*It is resolved*—That a ballot be now taken for the election of five Directors for the term of four years and one Director for the term of two years; 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, Mr. Miller read the report of the Scrutineers, which declared that by a unanimous vote Sir Charles Gordon, G.B.E., Mr. Ross H. McMaster, Rt. Hon. Reginald McKenna, Mr. James A. Richardson and Mr. W. J. Blake Wilson were elected directors for the term of four years, and Mr. Robert S. McLaughlin was elected a Director for the term of two years.

The proceedings then terminated.

*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,
MR. W. N. TILLEY, K.C.,
HON. F. L. BEIQUE, K.C.,
SIR CHARLES GORDON, G.B.E.