CANADIAN PACIFIC RAILWAY COMPANY

REPORT OF PROCEEDINGS

AT THE

ANNUAL GENERAL MEETING OF SHAREHOLDERS

MAY 5, 1943

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REPORT

OF THE PROCEEDINGS AT THE SIXTY-SECOND ANNUAL GENERAL MEETING OF THE SHAREHOLDERS HELD AT MONTREAL ON WEDNESDAY, MAY 5, 1943

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. D. C. Coleman, 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 31, 1942, which had been printed and distributed to the shareholders, said:

We meet today under the shadow of a great bereavement. A year ago, we paid tribute to the services of Sir Edward Beatty, who had retired from the Presidency after almost a quarter of a century in office. Now we mourn his death.

The extent of the loss to your Company can be fully understood only by those who worked beside him during the past forty years. His consuming devotion to your interest was qualified only by his sense of duty to his country—but in almost every case the interest of each was identical.

Sir Edward sometimes championed programmes and policies that proved to be unpopular, and was accused by opponents of being actuated by selfish ambition for himself, or for the corporate interest he represented, but those who knew him best can confidently assert that he never advocated any policy that he did not honestly and sincerely believe would be to the advantage of Canada and of the British Empire.

His work for the Canadian Pacific will endure, and his career will continue to be a guide and an example to his former associates and to those who will follow them.

Twenty-five Years of Progress

The record of your Company's activities in the present war serves to emphasize the great advance that has been made since the last great war in its capacity to serve the national interests.

In 1917, as in 1942, Canada was in the third year of a world conflict, and comparisons between these two years offer a fair basis upon which to gauge the striking progress made by your Company.

In 1917 mobilization of the industrial and agricultural resources of the Dominion was well under way, the major sea routes of the world were then open to Allied commerce and travel was comparatively free from restrictions. The traffic moved over the railway lines of your Company's system during that year represented fifteen billion ton miles of freight and one and a half billion passenger miles. This was an imposing performance under the then existing conditions, and it was vital to the Dominion, for yours was the only railway company in Canada whose lines extended under a single management from coast to coast. Upon it rested the chief responsibility for efficient war-time transportation.

In the present war the transportation requirements have been greatly increased. In 1942 your Company moved the heaviest traffic in its history, comprising more than twenty-two and one half billion ton miles of freight and more than two billion passenger miles. The increase in freight traffic amounted to approximately 50% and the average time required for its movement was reduced by one-third. Passenger traffic increased to the extent of 40%, and the improvement in equipment provided for the safety and comfort of travellers may well be described as revolutionary. The record of service rendered becomes even more impressive when it is known that the number of freight cars required to transport the increased traffic was ten thousand less than in 1917, the number of passenger cars one hundred less, and the number of locomotives six hundred less. Moreover, your Company's shops, in addition to meeting the heavy demands made upon them by increased traffic, were engaged in the production of tanks, guns, and other munitions of war in large quantities.

The reasons underlying the enormous increase in the volume of passenger traffic are well known. Those underlying the increase in freight traffic may bear restating.

In the first place, Canadian industry has expanded to an unprecedented degree. In the course of the war the nation has risen from a secondary position among industrial powers to that of one of the chief producers of war materials. Adequate transportation by rail of both raw materials and completed products has proved vital to this development.

Secondly, the disturbance occasioned by the war to ocean, coastal and inland shipping has led to the diversion of a substantial amount of bulk traffic to the railways. Instead of moving to the nearest seaport, as in peace time, munitions of war and other exports destined abroad must be transported long additional distances by rail to shorten the ocean transit. Coastal shipping has been subjected to severe restrictions, and the number of vessels plying on inland lakes and rivers has been greatly reduced.

Thirdly, on account of gasoline rationing, the scarcity of rubber and various regulations limiting truck operations, much of the traffic which in recent years moved by highway has returned to the railways. This is largely short-haul traffic, which has necessitated the restoration of many local services and facilities. These arrangements must be regarded for the most part as temporary expedients to be abandoned upon the return of normal conditions.

Fortunately, the steady improvement throughout the last quarter of a century in your Company's facilities, its road bed, its motive power and rolling stock and its ocean fleets, has enabled it to assume its full share of the transportation requirements of the nation. Fortunately also, the up-keep of all the properties was such that no major betterments have been found necessary to provide for the strenuous conditions of war-time service. The facts and figures relating to the improvements effected are recorded in the reports of individual years, but a few comparisons of typical tests of efficiency will indicate the degree of advancement that has been made.

The carrying capacity of freight cars has increased substantially and the tonnage per car mile rose from twenty-six tons in 1917 to thirty-two tons in 1942. During the same period the average daily mileage made by all freight cars increased from thirty miles to forty-two miles. The combined effect of these factors has been to increase by 70% the utilization of freight cars.

Locomotive and train performance has shown an equally marked improvement during the past twenty-five years. In 1942, the freight train load was 1,711 tons, nearly one-third greater than in 1917, while freight train speed between terminals, including all delays, was almost seventeen miles per hour, an increase of 60%. Measured in gross ton miles, the work per hour performed by the average freight train in 1942 was twice that of 1917.

In 1942, your Company's freight locomotives required one-third less coal than in 1917 to do an equivalent amount of work, a saving of no less than one and one-quarter million tons in the year.

A similar story of progress is recorded in every department of your Company's operations.

Conservation of manpower and materials, desirable in peace but essential in time of war, has resulted from these achievements. In 1942 the number of employees on your Company's railway and inland steamship lines was approximately the same as it was twenty-five years earlier, but the system they operated consisted of almost three thousand more miles of line, and the traffic they handled was greater by nearly one-half.

Calls upon the staff of officers and employees have been heavy, but they have borne their responsibilities willingly and proficiently. At the end of last year, more than fourteen thousand employees were in the armed services and many others were on loan to various Governmental departments and agencies. Replacements have been hard to procure and the training of new staff has increased the burden of supervision. In 1942 the rate of labour turnover was more than twice as great as in normal years and staff problems have multiplied accordingly.

The whole body of your Company's employees—seventy-three thousand in all—are devoting their skill and energy to the national war effort.

The railway tracks are guarded and maintained by seventy-six hundred foremen and sectionmen. The trains are manned by forty-three hundred engineers and firemen and by fifty-eight hundred conductors, brakemen and yardmen. Train operations are directed by two hundred despatchers and by twenty-three hundred operators in the stations and signal towers along the lines. The shop forces maintaining your rolling stock number some ten thousand men, skilled in many trades. It is only through the experience gained by these and other employees, through many years of specialized service with your Company, that it has been possible to build up an efficient railway organization capable of meeting the tremendous demands that have been made upon it as a result of the onset of war.

The activities of the officers and men of your steamships since the outbreak of the war have been of necessity cloaked in secrecy. In the few instances where the facts have come to light, the quality of seamanship and the devotion to duty displayed were of such a character that we may confidently expect a very noble record when the veil is lifted.

Your Company's air lines, the newest branch of its operations, are contributing in a very substantial manner to the war effort of Canada and the United Nations. The important services in North-Western Canada and elsewhere in the Dominion, and the operation of overhaul plants and training schools in connection with the British Commonwealth Air Training Plan have already demonstrated the value of these new undertakings. Your Company is proud of the fact that its services in this sphere, including the initial organization and expansion of the trans-Atlantic services, since taken over by the Royal Air Force Ferry Command, should have developed so satisfactorily. The initiative and progress already displayed indicate beyond doubt that your Company will be ready to undertake its full share of peace-time air transportation requirements both within and without this Dominion.

Results of 1942

The Annual Report, which was distributed earlier in the year, contains a comprehensive review of 1942 operations. Gross earnings were substantially greater than in any previous year. The effects of increased material and labour costs and the difficulties of war-time operation were overcome by measures of economy and resourcefulness, with the result that the previous year's ratio of working expenses (excluding taxes) to gross earnings was not only maintained but even slightly improved, being 71.54% in 1942, compared with 71.65% in 1941. Taxes amounted to approximately twenty-five million dollars, an increase of more than eight million dollars over the previous year.

Despite the great increase in traffic, the return on the investment of your Company in railway property was only 3.90%, just slightly higher than a year ago. The rate of return on investment for railroads in the United States was 5.56%, which reflects to some extent the beneficial effect of higher passenger and freight rates in effect temporarily in that country.

All expenditures on capital account were met without the issue of new securities, and bonds, notes and other obligations to the amount of $35,447,000 were retired without refunding. In the three years ended December 31, 1942, debt redemptions amounted to a total of $94,863,000, leaving obligations to the amount of approximately $56,000,000 to be met within the succeeding four years.

After careful consideration your Directors reached the conclusion that it would not be in the best interest of the shareholders to declare a dividend on the Ordinary stock for the year 1942. As stated when the announcement was made, one of the reasons for the decision was the feeling that there should be a further reduction in fixed charges before the resumption of dividend payments. In 1942 fixed charges had been reduced to $23,000,000, being nearly $2,500,000 below the peak reached in 1940 but still considerably above the pre-depression level. There will be a further reduction during the present year, and after the results become available, the question of a dividend payment will again be reviewed.

Your Directors have not overlooked the fact that the Ordinary shareholders have had no return on their investment since 1932. On the other hand, funds must be provided for maturing obligations and essential capital improvements. Moreover, your Company is faced with the unpredictable financial requirements of the post-war period.

In the circumstances, I would expect that, even if earnings continue at their present level and your Company's position becomes such as to warrant a distribution, the prudent policy will be to follow a conservative course in determining the amount of any dividend that may be declared.

Progress on Soo Line Reorganization

The Interstate Commerce Commission by its Order dated April 27, 1943, has certified the result of the submission to creditors of the plan of reorganization of the Minneapolis, St. Paul and Sault Ste. Marie Railway Company, previously approved by the Commission and by the District Court of the United States for the District of Minnesota, Fourth Division, which certificate shows that the plan has been almost unanimously accepted by the creditors voting thereon. The plan now stands for final confirmation by the Court.

Outlook for Year 1943

Gross earnings in the first quarter of the present year increased $5,600,000, or 9.8% over 1942. Working expenses increased by $6,900,000 or 14.6%. Net earnings amounted to $8,700,000, a decrease of $1,300,000. Working expenses were affected by the higher cost-of-living bonus which was at the rate of $4.25 per week compared with $3.65 per week in the first quarter of the previous year. The price of fuel for locomotives was 70 cents per ton higher. Monthly accruals to expenses for depreciation of road property were continued on the basis established with July accounts last year. In particular, the working expenses for the quarter were affected by the unusually severe weather which added greatly to the difficulties of transportation. Heavy snowfalls and sleet burdened maintenance operations and the increased cost of snow and ice removal amounted to $1,300,000.

I would hesitate to endeavour to forecast the amount of railway earnings for the balance of the year. Traffic will react quickly to the changing needs of the war situation and particularly to any alterations in shipping conditions. At present I know of no reason why the traffic trend should change, but I would expect that a large part of any increased gross earnings will be offset by heavier taxes, maintenance and other expenses. Other Income will be affected by a reduction in steamship earnings and by the closing of all your resort hotels. On the other hand, as previously indicated, fixed charges will be lower. All told, it would seem that Net Income is not likely to vary substantially from the level of last year.

General Outlook

The course of the war has taken a favourable turn for the cause of the United Nations, but we have still before us a long and painful journey before victory can be attained. The time has not arrived when we can afford to allow any of our energies to be diverted from the stern task which duty has imposed on us. Yet those who believe that private enterprise has a great place to fill in the economy of the democratic countries after the war, cannot ignore the fact that many so-called planners are labouring zealously to reconcile the public mind to a continuance of government control and regimentation after the return of peace. Their efforts cannot be met by merely opposing to them a blank negative. We must do some planning also, and have ready a proper alternative in the way of a programme to overcome the difficulties which will emerge in the transition period when we will be re-adapting all our facilities for a renewal of the work of construction and development. Your Company must be prepared to participate in working out the necessary plans and policies.

To this end a committee of senior officers, headed by the Chief Engineer of the Company, is engaged in preparing a post-war programme of rehabilitation and improvement of your Company's properties, which can be carried out as may be required, in order to make use of surplus labour for undertakings that will increase its earning power and service to the nation. The programme is to include urgent projects which can be undertaken advantageously as soon as labour and materials become available, and also those which would be undertaken progressively as conditions require or permit.

As one of the main tasks before us will be the restoration of our steamship fleet, we have stationed an experienced officer in London, who, in collaboration with representatives of other steamship companies, is engaged in a careful study of conditions and prospects so that, as early as possible, the trade routes may be adequately provided for with vessels of a type best calculated to meet the requirements, which undoubtedly will be affected to some extent by the recent remarkable developments in aviation.

It is the purpose of your Directors to insure, as far as lies in their power, that the property is so maintained and operated that the Company may continue to play an honourable and a distinguished part in Canada's war effort. In this determination they know that they will be supported by the zeal, devotion and patriotism of the officers and employees who have never failed the Company or the country in the past.

The Report was unanimously adopted upon the following resolution, which was moved by Mr. D. C. Coleman, and seconded by Maj.-Gen. F. S. Meighen, C.M.G.:

Resolved—That the Report on the affairs of the Company for the year ended December 31, 1942, 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.

The following resolution relating to an agreement amending certain provisions of the Lease of the Railway of The Glengarry and Stormont Railway Company dated June 1, 1915, was submitted and, on motion of Mr. Malcolm Oswald, seconded by Mr. Arthur Terroux, was unanimously adopted:

Whereas—By indenture dated June 1, 1915 (hereinafter referred to as "the Lease") The Glengarry and Stormont Railway Company, as Lessor, leased its railway and appurtenances to this Company for and during a term of ninety-nine years;

And whereas —Differences having arisen as to the interpretation of the provisions of the Lease in regard to the calculation of gross earnings of the Lessor upon which the rental is based, the Lessor and this Company have entered into an agreement dated as of January 1, 1941, for the purpose of amending the provisions of Paragraphs 7 and 8 of the Lease and of releasing all claims thereunder up to and including December 31, 1940;

And whereas—The Royal Trust Company as Trustee of the mortgage securing bonds of the Lessor Company and the Sun Life Assurance Company of Canada as holder and owner of all of the said bonds outstanding have joined in the said agreement for the purpose of evidencing their consent thereto;

It is resolved—That the agreement dated as of January 1, 1941, between The Glengarry and Stormont Railway Company as Lessor, Canadian Pacific Railway Company as Lessee, The Royal Trust Company and Sun Life Assurance Company of Canada, a copy of which was submitted to this meeting and signed by the Secretary for identification thereof, whereby the provisions of Paragraphs 7 and 8 of the Lease in regard to the calculation of the gross earnings of the Lessor Company are amended and all claims under the said Lease up to and including December 31, 1940, are released, be approved and that the execution thereof by this Company be and is hereby ratified.

The following resolution authorizing the execution of a Lease to Canadian Pacific Railway Company of the line of railway and bridges of The Fort William Terminal Railway and Bridge Company, was submitted and, on motion of Mr. A. E. Francis, seconded by Mr. F. D. Chapman, was unanimously adopted:

Resolved—That the Indenture of Lease from The Fort William Terminal Railway and Bridge 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 a term of 999 years, the whole of the line of railway and bridges which that Company has been by law authorized to construct, including the line of railway described in its charter as around islands numbers one and two at the mouth of the Kaministiquia River in the Neebing Addition to the town of Fort William and from one island to the other and to the shore of island number two on the Kaministiquia

River, and from a point on the northerly shore of the Kaministiquia River opposite the said island number two to connection with the Canadian Pacific Railway, the Canadian Northern Railway and the Grand Trunk Pacific Railway, and the bridge, with the necessary and proper approaches and terminal facilities, over the Kaministiquia River from a point on the railway on island number two to a point on the opposite or north shore of the Kaministiquia River in the town of Fort William, and the two bridges over the McKellar Creek from island number one to island number two, which railway and bridges as constructed may be shortly described as including those on and adjacent to islands numbers one and two at the mouth of the Kaministiquia River and spanning that river and McKellar Creek, all in the City of Fort William, and all such extensions, branches and additions to the line of railway above described as The Fort William Terminal Railway and Bridge Company 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 upon the bonds which The Fort William Terminal Railway and Bridge Company may at any time or times hereafter issue at the request of this Company expressed in writing under its corporate seal, the total amount of all such bonds unpaid or unredeemed not exceeding at any time the sum of $50,000 per mile of the railway of The Fort William Terminal Railway and Bridge Company constructed or under contract to be constructed;

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 meeting then proceeded to the election of Directors and, on motion of Mr. W. B. Blackader, seconded by Mr. Alister F. Mitchell, the following resolution was unanimously adopted:

Whereas, in pursuance of By-law No. 6, Mr. S. G. Blaylock, Hon. Henry Cockshutt, Maj.-Gen. Frank S. Meighen, C.M.G., and Mr. Robert C. Stanley, 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 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. Wm. C. Finley and Mr. F. H. Hopkins 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. Wm. C. Finley read the report of the Scrutineers, which declared that Mr. S. G. Blaylock, Hon. Henry Cockshutt, Major-General Frank S. Meighen, C.M.G., and Mr. Robert C. Stanley were elected Directors for the term of four years, and the report was adopted.

The following resolution relating to the passing of the late Chairman of the Company, Sir Edward Wentworth Beatty, G.B.E., moved by Mr. Huntly R. Drummond and seconded by Hon. J. Edouard Perrault, K.C., was unanimously adopted by a standing vote of the shareholders present:

Resolved—That there be inscribed in the record of this meeting an expression of the profound regret of the shareholders at the death, on March 23rd, 1943, of the late Chairman of the Company, Sir Edward Wentworth Beatty, G.B.E.

Upon the occasion of Sir Edward's retirement from the Presidency of the Company the shareholders, by resolution passed at the Annual Meeting on May 6th, 1942, paid an impressive tribute to him for his outstanding services during forty-one years' association with the Company, particularly during his term of office as President and, later, as Chairman and President.

At that time it was anticipated that the Company would continue for a considerable period to have the benefit of Sir Edward's wise counsel in his capacity as Chairman, and his death came as a distinct shock to the community.

The shareholders feel that not only has the Company lost one of its most valued officers but the Dominion of Canada has lost a distinguished citizen who, in this time of great crisis, can ill be spared.

And be it further resolved—That as a mark of the shareholders' sympathy a copy of this resolution, signed by the Secretary under the Company's corporate seal, be transmitted to the members of Sir Edward's family.

In moving this resolution Mr. Huntly R. Drummond spoke as follows:—

"In the passing of Sir Edward Beatty, Canada has suffered a great loss.

"Since the death of Lord Shaughnessy he has ably directed the affairs of the greatest enterprise in the Dominion, the Canadian Pacific Railway.

"At the end it must have been gratifying to him to preside over its destinies in its astonishing regeneration in these last years.

"But he touched many other facets of life; his wide sympathy responded always to any civic or philanthropic appeal, and regret at the passing of Canada's first citizen is universal.

"Well may we say of him:

'He was a man. Take him for all in all, we shall not look upon his like again.'

"Gentlemen, I ask you to rise and stand with me for a minute's silence."

In seconding the resolution the Hon. J. Edouard Perrault, K.C., said:—

"I am pleased to second this motion.

"Sir Edward was a remarkable personality. Not only did he have an active career in industry, finance and public affairs, and as Chairman and President of the world's greatest transportation system under single control, but he also held in public esteem a position second to none amongst those who have been foremost in the cultural life of our country.

"He was called to the Ontario Bar in 1901.

"Joining the Canadian Pacific Railway the same year, Sir Edward's life was closely identified with great causes in the field of higher learning, secondary education, philanthropy and social well-being. His highest achievement lay in the degree to which he has enriched our national life by a many-sided interest in its development.

"Devoted to the training and education of youth, Sir Edward shewed his deep concern for those who were afflicted or in distress, and he gave a considerable part of his activities to the welfare of our charitable institutions.

"Sir Edward has given us a great example of civic responsibility, and has reminded us that we should not limit our talents and energies only to our professional business, but that we are bound to take the keenest interest in such causes as education, philanthropy and social welfare.

"In the whole of Canada his example of effective public service will be for a long time remembered, and he deserves our utmost gratitude for his inspiring record."

The proceedings then terminated.

President.

Secretary.

At a meeting of the Board held immediately after the Shareholders' meeting Mr. D. C. Coleman was elected Chairman and President of the Company, and Mr. W. M. Neal was re-elected Vice-President; the following were appointed the Executive Committee:

Mr. D. C. Coleman
Mr. W. M. Neal
Mr. Ross H. McMaster
Mr. Morris W. Wilson
Mr. L. J. Belnap
Mr. Aimé Geoffrion, K.C.