D. P. Shepard

ANNUAL GENERAL MEETING OF SHAREHOLDERS

REPORT OF PROCEEDINGS

May 3, 1944

CANADIAN PACIFIC RAILWAY COMPANY

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REPORT

OF THE PROCEEDINGS AT THE SIXTY-THIRD ANNUAL GENERAL MEETING OF THE SHAREHOLDERS HELD AT MONTREAL ON WEDNESDAY, MAY 3, 1944

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. 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, Mr. D. C. Coleman, in moving the adoption of the report on the affairs of the Company for the year ended December 31, 1943, which had been printed and distributed to the shareholders, said:

We meet today for the fifth time under war conditions. Notwithstanding the strain and anxiety produced by these conditions on the rank and file, as well as the leaders of business, there has been no evidence of slackening in the efficient and vigorous prosecution of the war.

As has been previously stated, your Directors have regarded it as a privilege that all the resources of your Company should be devoted to the achievement of victory. Now that ultimate victory is assured, we may justifiably look back with satisfaction upon the continued success of your Company in fulfilling its share of the heavy responsibility of maintaining vital links of transportation and communication both within and without the boundaries of the Dominion. During the war years the tasks efficiently accomplished by the Canadian Pacific have continued to increase in number and importance, culminating in the record-breaking performances of the past year.

Results of 1943

The results of your Company's activities during the year 1943 have been fully dealt with in the Annual Report which has been distributed to shareholders, both here and abroad, and I do not now propose to burden you with any extensive review.

Gross earnings reached the record height of $297 millions. Notwithstanding successive increases in operating costs, the traffic has been carried at pre-war rates. The full significance of this may be better appreciated when it is recalled that during the fifteen years previous to 1939 many reductions had been made in the charges for certain classes of traffic in order to meet the rising tide of highway competition. Had we enjoyed in 1943 the same average revenues per ton mile and per passenger mile as in 1924, gross earnings would have been higher by $55 millions.

Working expenses and taxes for 1943 required 83 cents out of every dollar of earnings, approximately the same as during the low traffic pre-war years. Thus while freight traffic has doubled and passenger traffic has trebled since the commencement of the war, increased labour costs, increased prices for material and higher taxation have had the effect of offsetting all the benefits of improved unit performance resulting from the increased traffic volume.

While gross earnings for the year increased $40 millions, net income showed an improvement of only $2,600,000, of which $1,159,000 resulted from a reduction in the fixed charges for the year.

Status of Wage Negotiations

In the Annual Report reference was made to the application of Canadian railway employees to the National War Labour Board for an order directing the railways to increase basic rates of pay to a sufficient extent to establish the same or substantially the same rates in Canada as are paid to railway employees in the United States. The reply of the railways has been filed with the Board and the case has been set for hearing commencing tomorrow.

Results of Year 1944 to Date

For the first three months of the present year, gross earnings have increased by 18.3 per cent. A substantial part of this improvement resulted from grain traffic. There was also a freer movement of other traffic than in the winter of 1943, owing to less severe weather conditions.

Working expenses have continued to increase for the same reasons mentioned with respect to expenses for the year 1943. Net earnings after taxes have accordingly improved but slightly.

Outlook for the Remainder of the Year

While the industrial activity of Canada has reached a very high level and while railway traffic reflects this activity, I would not expect that gross earnings for the remainder of the year will continue to show the same degree of improvement as in recent months. Many factors are involved, and it is not improbable that in certain classes of traffic decreases rather than increases may become general. If this should be the case and if expenses continue their upward trend, further improvement in the net results cannot be expected, and the peak of net income will have been passed. Whether or not this should prove to be the case, I can say without hesitation that in keeping with its past achievements your Company will spare no effort to render to the nation the essential services for which it is responsible.

Recital of Achievement

In each year since the commencement of the war, freight, passenger and other railway traffic has continued to expand. In this period your Company has transported more than 215 million tons of freight and 55 million passengers. This has represented a stupendous accomplishment, made possible by the free association of three important groups, each making an essential contribution to mutual Canadian interests.

First, there are the many patrons of the Canadian Pacific throughout Canada and numerous other parts of the world, who continually rely on the varied and far-reaching services which your Company has provided, and who, by their ready understanding and acceptance of the difficulties of wartime transportation, have assisted in the maximum utilization of its equipment and facilities.

The second group embraces the employees of your Company, numbering more than 75,000, whose wages and working conditions have set a high standard for Canadian labour. Their loyalty to the Canadian Pacific, their courtesy to its patrons, and their willingness to accept the responsibilities of public office and give freely of their time in various activities for the welfare of the community have always been outstanding.

The third group to which I have reference, is made up of the investors, numbering more than 200,000, who own the various securities and stocks of your Company. They are citizens of Canada, the United Kingdom, the United States and other countries throughout the world, all friendly to Canada and the Canadian system of free enterprise, as is manifest from the fact that they have chosen to risk their capital in the undertaking of the Canadian Pacific.

Air Services

Since the Annual Report was circulated, the Government of Canada has announced its policy with respect to post-war aviation. Under that policy, international services will be provided exclusively by a chosen instrument, and a Government-owned company is indicated as that instrument. In so far as domestic services are concerned, main line operations are to be conducted by a Government-owned company, and feeder lines are to be operated in zones by a number of privately-owned companies. The railway companies are to be required to divest themselves of the ownership of air lines within one year after the close of the war.

The decision was most disappointing to your Directors, as we had cherished natural and legitimate hopes that your Company would be given the opportunity to play its full part in the development of aviation which may be expected to follow the conclusion of peace.

Your case was fully and strongly presented to the proper authorities. It was pointed out that the Canadian Pacific Air Lines had made a distinct contribution to aviation in this country by taking over a number of struggling and scattered companies and welding them into a closely knit, efficient organization, without encroaching on the field reserved by law for Trans-Canada Air Lines; that it had proceeded throughout with the knowledge of the Government, and in compliance with Government regulations; and that it had been of substantial aid to the Canadian, United States and United Kingdom Governments in operations in Northern Canada, Alaska and Labrador, and in initiating the first Trans-Atlantic ferry service.

We were given no encouragement to believe that the announced policy would be materially modified, and we are making our future plans in conformity with it. A statement was made in Parliament on April 20th by the Minister in charge of Civil Aviation, to the effect that there would be no confiscation, and the opinion was expressed that the separation can be made without loss to those concerned. We can assume, therefore, that our investment can be liquidated on terms which will not be unjust to our shareholders.

Vacancy on Directorate

Because of war conditions, it has not been found possible, up to the present, to fill the vacancy on the Board of Directors resulting from the death of the Rt. Hon. Reginald McKenna. It is hoped that before long, a worthy successor can be chosen.

Dividend Policy

The possibility of a dividend on the ordinary stock, payable out of the current year's earnings, will be considered by the Directors in August. By that time we will be able to estimate the probable size of the prairie grain crop, and certain other issues having an influence on our net earnings for the year, will have been determined. Our paramount duty, to bring the Company out of the war in a sound and safe financial position, will be ever present in our minds.

Post-War Conditions

The officers of the Company have continued their intensive studies, and are engaged in framing plans and policies which will enable the Company to meet adequately, the problems which will arise in the era of post-war readjustment.

We are confident that Canada—possibly not without some setbacks and some painful experience—will then enter on a period of expansion and industrial development. Your Company will be prepared to maintain its historic position as a devoted and efficient servant of the Canadian nation, and as the most important transportation link in the British Empire.

In this country, as in others, there is considerable activity in the ranks of those who maintain that the fruits of prosperity can only be properly distributed through measures of rigid state control, and that free enterprise, as we have known it, should be systematically extinguished. Class, occupational and sectional jealousies are being fostered, and our young people encouraged to form themselves into organized pressure groups to struggle with the State and with each other for a sharing of wealth—wealth which they are not urged or encouraged to create.

If those behind this movement were entrusted with executive power, they would find that to satisfy the appetites they have inflamed, and to reconcile conflicting claims which they have encouraged, would be a task beyond their powers. The trouble with their teaching is that they place all the emphasis on dividing rather than on creating wealth. Injustices in division or distribution, as they become manifest, should be, and must be corrected, but it should be fairly obvious that if our standard of living is to be improved, or even maintained at the present level, more wealth must be created for ultimate division. No man has been able to show —and few would suggest—that as much wealth can be produced under state control of production and distribution as under a system of free enterprise. By reason of climate and geography, Canada's riches are hard to get at and hard to market, and to a very special degree this country's development has been due to the daring, initiative and resourcefulness of her sons—courageously supported in their efforts by venture capital from Britain and the United States—and it would appear incredible that she would now turn her back on the system, on the elements, on the forces which have made her great.

The democratic peoples have endured patiently for some years, restrictions on their freedom thought necessary for the successful prosecution of the war. It is difficult to believe that they will willingly bow their necks to the yoke of bureaucracy when the necessity for it has passed, or to condemn their sons returning from active service, to live in a world from which adventure and enterprise have been banished forever.

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, 1943, 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.

By-law No. 99 containing Traffic Rules and Regulations of the Company was submitted for approval and, on motion of Mr. W. B. Blackader seconded by Mr. Arthur Terroux it was unanimously

Resolved—That, as enacted by the Directors on December 13th, 1943, By-laws Nos. 64, 76, 84, 89 and 94 of the Traffic By-laws of the Company be and they are hereby repealed and that in lieu thereof By-law No. 99, containing Traffic Rules and Regulations of the Company, now submitted and laid on the table, be and the same is hereby approved, ratified and confirmed.

The meeting then proceeded to the election of Directors and, on motion of Mr. Alister F. Mitchell, seconded by Mr. A. E. Francis, the following resolution was unanimously adopted:

Whereas—In pursuance of By-law No. 6, Mr. D. C. Coleman, Hon. Charles A. Dunning, P.C., Mr. John W. Hobbs, Mr. R. S. McLaughlin and Sir Edward R. Peacock, G.C.V.O., 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 said By-law;

It is resolved—That a ballot be now taken for the election of five Directors for the term of four years to fill the vacancies created as above stated; that Mr. F. H. Hopkins and Mr. Malcolm Oswald 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. F. H. Hopkins read the report of the Scrutineers, which declared that Mr. D. C. Coleman, Hon. Charles A. Dunning, P.C., Mr. John W. Hobbs, Mr. R. S. McLaughlin and Sir Edward R. Peacock, G.C.V.O., were elected Directors for the term of four years, and the report was adopted.

The proceedings then terminated.

D. C. Coleman

Chairman.

F. Bramley

Secretary.

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

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