D. P. Shepard

ANNUAL GENERAL MEETING OF SHAREHOLDERS

REPORT OF PROCEEDINGS

May 2, 1945

CANADIAN PACIFIC RAILWAY COMPANY

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REPORT

OF THE PROCEEDINGS AT THE SIXTY-FOURTH ANNUAL GENERAL MEETING OF THE SHAREHOLDERS HELD AT MONTREAL ON WEDNESDAY, MAY 2, 1945

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, 1944, which had been printed and distributed to the shareholders, said:

This meeting is surrounded by an atmosphere of happy expectancy. Any hour may bring the news of the unconditional surrender of our most formidable foe. Germany is in a state of collapse, and although a few fanatical Nazis may fight on and cause needless losses, the end cannot be long delayed. How different was the outlook a year ago,—"D" day was then still in prospect and the West Wall was commonly regarded as almost impregnable. Now the two fantastic figures of evil who led our enemies, the monsters who befouled our civilization and who drenched the world in blood, have passed from the scene. It will take years to repair the damage they did—and after their Eastern partner in crime has been eliminated, the task of rebuilding will tax the strength of this and future generations.

Your Company faces the future with confidence and resolution, fully recognizing the part it has to play in providing Canada with the most modern and most efficient transportation possible and thereby contributing to her development and prosperity. No less challenging are two other tasks ahead—the advancement of the best interests of our family of employees, of whom twenty thousand are on active service, and of the many thousands of investors who have demonstrated their faith in Canadian enterprise as represented by your Company.

Results of 1944

The report of your Directors for the year 1944, which was distributed last month, described the results of operations and the transactions of the year, and I need not elaborate upon it. Gross earnings for the first time in the long history of your Company surpassed the three hundred million dollar mark. At $319 million, they were $22 million or 7.3% higher than the previous record-breaking year of 1943. The increase in volume of traffic handled was actually somewhat greater than the earnings, as both freight ton miles and passenger miles increased by 10%. While the gross earnings were of an imposing magnitude, and while operating efficiency improved, there was a narrower margin of earnings over expenses, and net earnings declined $6 million. Despite the greatest gross earnings on record, the net earnings of 1944 have actually been exceeded ten times in the past thirty-three years. Later, I will deal more specifically with the problem of declining net earnings.

Dividends

Your Directors are gratified that the financial condition of your Company warranted the declaration of dividends totalling 5 per cent. for the year on the ordinary capital stock. There is little need to recall that this modest distribution came after a long series of disappointing years due to world depression, drought in Canada's wheat lands, and the necessity for strict conservation of your Company's wartime earnings in order to provide for the exigencies of the post-war period. Newspaper editors and analysts both here and abroad have emphasized that a feature of these dividends apart from the personal cash benefit to shareholders, is the beneficial impact of the payments upon Canada's foreign trade.

The widespread nature of the ownership of your Company's capital stock, involving many individuals in various walks of life, is not perhaps as well known as it might be.

Of both ordinary and preference stocks there are at the present time throughout the world approximately 84,000 individual holdings and 61,000 of these holdings, or almost 75%, are of not more than 100 shares each. In Canada alone there are more than 25,500 registered holders of the ordinary stock. Moreover, many single entry stockholdings, registered in the names of banks, insurance companies, educational, medical and benevolent institutions are maintained for the ultimate benefit of many thousands of individuals. The direct beneficial interest of investors in your Company is thus spread over a large and representative cross-section of the public in Canada and elsewhere.

Outlook for the Year 1945

Now that the end of the war in Europe is in sight, it would appear that the high point of wartime freight traffic has been passed. It is unlikely that the war in the Pacific together with relief and assistance for the rehabilitation of devastated countries of Europe will produce traffic comparable in volume with that which arose from the demands of the European struggle. A temporary decline in all types of traffic can therefore be expected, with the exception perhaps of agricultural and food products, until the economy of the country has been readjusted. On the other hand, the prospects for passenger traffic during the balance of the year seem to be very favourable. In view of these factors and the increased costs of operation there is small justification for hope that the year's net earnings will show any improvement, notwithstanding that last year's working expenses were burdened with a retroactive wage payment applicable to the year previous.

Freight Rates

As I have already mentioned, while the gross earnings were the highest in your Company's history, net earnings were lower than in many years of normal operations. This condition is due to the effect on your Company's operations of the wartime policies of price and wage control which, necessary and desirable though they may be, have borne with peculiar severity upon the operation of railways.

Railway rates were frozen at a low level—considerably below that which would have prevailed in times of ordinary prosperity—because of the constant efforts of the railway companies to reduce rates during the depression in order to nurture and stimulate traffic. In consequence, the railway companies have been at a great disadvantage as compared with almost every other industry, for few other economic groups had failed to obtain some increase in prices before or after price control was brought into effect.

The result has been that while labour unit costs have increased approximately 25%, the cost of steel rails 23%, cross-ties 90%, the price of coal 35%—and so on down the long list of railway materials and supplies—the charges of the railway companies for services have in general remained stationary. It is calculated that the increases in labour and material costs since the commencement of the war added approximately $43 million to the operating expenses of the Canadian Pacific for the year 1944.

Now that the railways face the end of wartime conditions, which brought about the great increase in volume of traffic, the greater proportion of movement of higher rate commodities as well as the increase in the average length of haul, it should be recognized that even if the railways can look forward to the maintenance of a much larger volume of traffic than prevailed immediately before the war, there will be need for some correction of the situation which now prevails concerning railway rates and railway costs.

It has been recognized for years that Canadians have had their freight transported by rail at lower rates than those charged in any other country in the Commonwealth, in Europe or in America. It has been recognized also that Canadian railways face more difficult climatic conditions and higher cost of many basic materials due to our geographical position. Yet in spite of these adverse factors, Canadian railways last year received on the average less than nine-tenths of a cent per ton per mile for hauling freight, an average even less than prevailed in the United States, a country where traffic density is much greater and other operating conditions generally more favourable.

If labour and material costs are to be maintained at anything like the present level, justice will require that Canadian railways be permitted to obtain such increases in rates as the Board of Transport Commissioners may find reasonable.

The railways during the war have proven their value, indeed their indispensability, in the economic structure of Canada, and it is hard to believe that public opinion will not support their plea for fair treatment in the matter of charges.

The Canadian Pacific War Record

Nearly six years have passed since the entire resources of your Company were placed unreservedly at the service of the Dominion in its war effort. The record of the Canadian Pacific throughout these years is studded with notable achievements in many fields, and I would like to endeavour to give you an overall perspective of that record which, perhaps, tends to be somewhat obscured by its very diversity.

In its main task, that of providing the nation with transportation, your Company's rail facilities have handled since the commencement of the war more than 128 billion ton miles of freight and 11 billion passenger miles, figures which in their immensity it is almost impossible to comprehend. Peak traffic loads four or five times normal volume have not been uncommon. Express, telegraph and hotel facilities, similarly, have all handled record-breaking business volumes. Your railway shops, in addition to keeping the hard-pressed motive power and rolling stock in serviceable condition, have turned out 1,420 Valentine army tanks, 75 main engines for corvettes, frigates and heavy armament landing craft, more than 600 other important articles of power equipment required by naval vessels, 3,000 naval guns, 1,650 naval gun mounts, more than 2,000 intricate anti-submarine devices and 120 units of gunnery range-finding and fire control equipment. The adaptation of your Company's shop facilities set an enviable standard of armament production using existing buildings and plants. The achievement in this respect undoubtedly saved the Canadian taxpayer considerable money and the country much valuable time and material.

Hitherto the least publicized and perhaps the most noteworthy chapter in the Canadian Pacific's war story is the record of the part played by your Company's steamships and the gallant seamen who serve in them. While the time at my disposal forbids any narration of the details of their exploits, it should be said that your vessels have been engaged in practically all major operations since the commencement of hostilities, including those of Singapore, North Africa, the Eastern Mediterranean, the expedition to Spitzbergen, the capture of the island of Madagascar and the landings on the Coast of Normandy.

Shortly after the outbreak of hostilities all Canadian Pacific vessels of British registry were taken over by the British Government under the provisions of the Liner Requisition Scheme. Also taken over, under charter arrangements, were the "Empress of Asia", the "Empress of Russia", the "Princess Kathleen" and the "Princess Marguerite" of Canadian registry. In due course, therefore, all vessels of both your Atlantic and Pacific fleets and two of your coastal steamships, comprising a gross tonnage of 336,488, were engaged in war service.

The battle of the Atlantic and actions elsewhere have taken heavy toll of your ships and personnel. Altogether twelve of your steamships, representing 193,061 gross tons, have been lost, and in addition two vessels, the "Montcalm" and the "Montclare", were taken over permanently by the Admiralty.

Your Company's flagship, the "Empress of Britain", after putting up an epic defence against attacks by enemy aircraft, was set afire, torpedoed and sunk. The "Empress of Asia", when engaged in carrying troops into Singapore, was heavily bombed by Japanese planes, set afire and sunk. Many of the crew made their escape in small boats to ports in Java and ultimately reached Canada. The "Duchess of York" was also the victim of an air attack, being struck by a stick of bombs from a German plane flying at an estimated height of 15,000 feet. The vessel was quickly in flames from end to end and was abandoned. The discipline and efficiency of your ship's personnel under such trying circumstances was particularly lauded by high-ranking military and naval officers. The "Empress of Canada", carrying many Italian prisoners, was attacked in the South Atlantic and was struck by a torpedo amidships, the explosion blowing a great hole in the hull. Preparations to "abandon ship" commenced immediately and many were killed when the Italian submarine closed in and fired a second torpedo into the sinking vessel. Other famous passenger liners which formerly flew the Canadian Pacific house flag, and which were torpedoed and sunk, were the "Duchess of Atholl" and the "Montrose". The "Princess Marguerite" met a similar fate in the Mediterranean waters. All five of your well-known "Beaver" freighters are gone—the "Beaverbrae", "Beaverburn", "Beaverdale", "Beaverhill" and "Beaverford". The last-named was lost with all hands when attacked by the heavily-armed German pocket battleship "Admiral Scheer".

The "Niagara" of the Canadian Australasian Line, in which your Company has a one-half interest, while proceeding on her lawful occasions in June, 1940, was treacherously sunk in the Tasmanian Sea.

Many seagoing employees, including three Masters and several other Senior Officers, have been lost; some of them were serving on ships allocated by the Ministry of War Transport for operation by your Company. The known killed number 272, and 155 are missing or prisoners of war. The officers and staff of the Canadian Pacific remember with appreciation their loyal service, and to the relatives of those who will not return our deepest sympathy is extended. A total of 71 steamship employees have been decorated by the British or Canadian Governments for conspicuous service.

This brief recital would be incomplete without reference to the valuable work performed by your Company, at the request of Government authorities, in the initiation at an early stage of the war of the trans-Atlantic bomber delivery system, now so justly famous for the timely assistance it provided beleaguered Britain. Then, too, there is the contribution made by your Air Lines to the forging of the vital defence chain throughout western and northern Canada and the important part its training schools and overhaul plants played in the British Commonwealth Air Training Plan.

Above all, there is the contribution made by the thousands of employees who have joined the Armed Forces or engaged in special war services under the direction of the British Admiralty. Many, unfortunately, have contributed their lives in the common cause.

In the immediate months ahead, a substantial number of your Company's employees will be released from the Armed Forces. A warm welcome is assured for all who wish to resume work with your Company. Careful planning is being done to insure that the progress of such employees will not be hampered as a result of their service to their country. It is recognized that many employees will have gained valuable training, added skills and broader experience and that these can be effectively utilized by a Company whose activities are as widespread and varied as are those of the Canadian Pacific. The Company also is anxious to place its physically handicapped war veterans in positions which will do justice to their abilities and thus provide them with a sense of genuine accomplishment, so essential in the process of readjustment.

Post-War Situation

In so far as post-war conditions can be foreseen, your officers are planning and providing for them. We hope and believe that there is before the world a long period in which international trade will fructify and expand. In that period industry which on this Continent and in the United Kingdom rose so magnificently to the demands of warfare will be given the opportunity to apply the same inventive genius and power of organization to the supply of comforts and conveniences that will raise the standard of living and brighten the daily pathway of all mankind. To carry its full share of the burden and to take its due place in that development, the Canadian Pacific is making every effort to be equipped and ready.

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, 1944, 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 with the Boston and Maine Railroad Company with respect to the purchase jointly by this Company and the Boston and Maine Railroad Company of the undertaking of the Connecticut and Passumpsic Rivers Railroad Company was submitted and, on motion of Hon. J. Edouard Perrault, K.C., seconded by Mr. A. E. Francis, was unanimously adopted:

Resolved—That the Agreement dated April 6th, 1945, between this Company and the Boston and Maine Railroad Company, providing for the making of a joint offer to purchase the undertaking of the Connecticut and Passumpsic Rivers Railroad Company for the sum of $4,972,000 U.S. funds, of which this Company's proportion amounts to $3,336,212, U.S. funds, the Agreement providing among other things that:

(*a*) The Boston and Maine will acquire the line of railway extending from White River Junction to Wells River in the State of Vermont;

(*b*) The Newport and Richford Railroad Company (the capital stock of which is being acquired by this Company) will acquire the line of railway presently held under lease expiring in 1956, extending from Wells River, Vermont, to the international boundary, a distance of approximately 69 miles;

(*c*) This Company will acquire 7,000 shares, being all of the capital stock of the Newport and Richford; 4,000 shares, being one-half of the capital stock of the Massawippi Valley Railway Company; 1,750 shares of the capital stock of the Lake Champlain and St. Lawrence Junction Railway Company; and 6,400 shares of the capital stock of the Montreal and Atlantic Railway Company;

(*d*) This Company will acquire by way of assignment the leasehold interest of the Connecticut and Passumpsic under its 999-year lease of the railway of the Massawippi Valley Railway Company, extending from the international boundary to Lennoxville in the Province of Quebec, a distance of approximately 32 miles, which line of railway is presently held under lease by the Quebec Central Railway Company, expiring in 1956;

(*e*) The Boston and Maine will transfer to this Company for the sum of $1.00, 1,750 shares of the Lake Champlain and St. Lawrence Junction Railway Company;

(*f*) This Company will have an option to purchase from the Boston and Maine at $115 per share, U.S. funds, 1,000 additional shares of the capital stock of the Massawippi Valley Railway Company and for the further sum of $350,000 U.S. funds, all of the outstanding bonds of the Newport and Richford amounting to $336,000 principal amount;

(*g*) For the sum of $51,116, U.S. funds, payable by this Company, there is to be a mutual cancellation as between the Boston and Maine and this Company of certain claims under the lease of the Massawippi Valley Railway to the Quebec Central, and under the lease to the Canadian Pacific of the line of railway between Wells River and the international boundary; and

(*h*) For the maintenance by the Boston and Maine and this Company of the lines of railway so to be acquired as parts of a joint through route; and for the maintenance via such route of favourable joint through rates;

be and the same is hereby approved and the execution thereof by this Company be and it is hereby ratified.

The following resolution approving the purchase of a part of the railway of Vancouver, Victoria and Eastern Railway and Navigation Company was submitted and, on motion of Mr. H. C. Oswald, seconded by Mr. Arthur Terroux, was unanimously adopted:

Resolved—That the Agreement between Vancouver, Victoria and Eastern Railway and Navigation Company (herein called the "Vancouver Company"), of the first part, Great Northern Railway Company, of the second part, this Company, of the third part and The Kettle Valley Railway Company, of the fourth part, made the fourteenth day of December, 1944, whereby the Vancouver Company and Great Northern Railway Company have undertaken to sell to this Company, and this Company has agreed to acquire by purchase, that portion of the railway of the Vancouver Company extending from Princeton to Otter Summit (now known as Brookmere), in the Province of British Columbia, for the price of $1,500,000, in Canadian Funds, be and the same is hereby approved.

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

Whereas—In pursuance of By-law No. 6, Mr. Aimé Geoffrion, K.C., Mr. G. Blair Gordon, Mr. W. M. Neal, C.B.E., and Mr. George W. Spinney, C.M.G., 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. 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. Aimé Geoffrion, K.C., Mr. G. Blair Gordon, Mr. W. M. Neal, C.B.E., and Mr. George W. Spinney, C.M.G., were elected Directors for the term of four years, and the report was adopted.

The proceedings then terminated.

Chairman.

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.